

Annual Report

“Champions of Service Delivery”
“Phambili ngentuthuko eNquthu”

11'

12'



NQUTHU MUNICIPALITY
UMASIPALA WASENQUTHU



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vision

To be the champions of sustainable Local economic and Community development, through good governance.

mission statement

We are a united community striving to provide basic services, eradicating poverty and promoting LED through co- operative governance and public participation.

table of contents

Chapter 1: Introduction And Overview	2
1) Mayor's Forewords	2
2) Message From The Speaker	3
3) Municipal Manager's Forewords	4
4) Executive Summary And Background	6-7
Chapter 2: Performance Report Per Municipal Department	8
1) Office Of The Municipal Manager	8
2) Finance Department Annual Performance Report.....	8
3) Corporate And Community Services Annual Performance Report	10-11
Performance Plan – Director Corporate And Community Services 2012/13	12-17
4) Technical Services Annual Performance Report	18-19
Performance Plan – Director Technical Services 2011/12	20
5) Annual Performance Report For Department Of Planning, Economic Development, Housing And Land Administration	42
Performance Plan – Director Planning, Led, Housing And Land Administration 2011/12	42
Chapter 3: Human Resource And Other Organisational Management	43
1) Municipal Institutional Arrangements	44
Chapter 4: Audited Financial Statements And Audit Report	45
1) Audited Financial Statements	48
2) Audit Report	107
3) Audit Action Plan	111
4) Organogram	117-122
Chapter 5: Conclusion	123
1) Conclusion.....	123



chapter 1

introduction and overview

MAYOR'S FOREWORDS



It has come again that period in which we reflect the previous year's performance of the Municipality. Everyone will agree that the current Council is only a year old, but if you look into what have been achieved in this short space of time can predict that by the end of the term there will be significant service delivery in the area. Despite challenges that we faced with as rural municipality but we need to pass our gratitude for all the support that we receive from the community. One must confess that without a support that we receive from the community we could not go this far in terms of service delivery. Such support was inevitably seen in different events that we held as Municipality and in support with other parties including private sector; such events are as follows:

- Sitting of the NCOP in Nquthu from 07 to 11 November 2011
- Launch of Nedbank, Nquthu branch 17 September 2011
- Celebration of World AIDS Day 07 December 2011
- Launch of KeMoja which is youth programme against drugs 05 December 2011
- Celebration of Women's Day 03 September 2011
- Youth Summit 27 September 2011
- Municipal Strategic Planning Meeting April 2012

The progress has been made into most of our capital projects, such as; Luvisi Community Hall, Nyezi Community Hall, Nkande Community Hall (all are complete), Upgrade of Nquthu town intersection and installation of traffic lights is more than 90% complete, Ngqashiyana phase 1, Ntandoyomphakathi phase 1, Nomalanga road, dala-la road phase 1 etc; all these projects are complete. We are about to complete Ngolokodo Housing Project (500 units), we have managed to rescacitate Masotsheni Jabavu Housing Project (500 units), Luvisi Housing Project is underway (500 units), Nondweni Housing Project is underway (more than 1000 units).

We clearly understand that we cannot fulfill all community expectations in this period but at the same time we are committed to work tirelessly to change lives for all. It is our gratitude again to pronounce that the Municipality has achieved good financial position in the year 2010-2011; which is known as Unqualified Audit Report. We are looking forward to achieve clean audit by 2013-2014. This kind of financial status will only be achieved if there is a strong cooperation between Council and Administration.

Compliance is one of the cornerstones to achieve good financial position and it is for this reason that the Municipality thrive to prepare this annual report, which must comply with Section 127(2) of Municipal Finance Management Act, Number 56 of 2003.

We are still committed to work harder to uplift the life of our youth in terms of unemployment which mostly affects the youth. We are also committed to direct our resources into endeavors to address unemployment, inequality and poverty which is our most challenges that we are faced with as the Nation.

Thank you

Clr. N.E. Molefe (Mayor of Nquthu Municipality)



chapter 1

introduction and overview

MESSAGE FROM THE SPEAKER



Year 2011-12 was earmarked for the capacitating of new councilors and the establishment of ward committees in all wards. It is a pleasure to pronounce the successful training of Councilors, especially on budget and risk processes and those who attended main courses such as CPMD and others. Consistent sitting of Council and Portfolio committee meetings is a sign for stable municipality and our appreciation to all chairpersons and members to honor municipal calendar on municipal meetings. Other municipal committees such as labor forum, SCOMA, and other steering committees which support the council were successfully established and are fully functional. An adoption of Ward Committee Policy on stipends was a significant step toward empowering ward committees.

It is the fact that there are many challenges and successes our municipality has experienced in 2011-12, but there is always room for improvement. As the Municipality we believe to the development that responds to the needs of the communities, that is why we successfully adopted our budget and IDP 2012-13 with significant inputs from

communities, we noted some challenges during the review process for our budget and IDP, and it is critical that the Management improves on tools to minimize such challenges and Council to play a significant role on oversight to ensure implementation of all policies and plans.

Clr. V.B. Ntombela (Municipal Speaker of Nquthu Municipality)



chapter 1

introduction and overview

MUNICIPAL MANAGER'S FOREWORDS



Year 2011-2012 was a beginning of a new term which will close by 2015-16. This is the result of 2011, May Local Government Elections. This was a year of lot of planning as we must prepare our plans to align with this new period. It is my greatest pleasure that we successfully reviewed most of our plans and policies to meet the priorities of the new council.

It will be recalled that in the month of April 2012 there was a strategic planning meeting which is the most important gathering between the council and the administration. Such meeting resulted to lot of positive deliberations and decisions were made which mark the significant change to the Council. The Strategic Planning session gave rise to the following:

NQUTHU VISION

To be the champions of sustainable Local economic and Community development, through good governance.

MISSION STATEMENT

We are a united community striving to provide basic services, eradicating poverty and promoting LED through co- operative governance and public participation.

CORE VALUES

- Q - Quality
- H - Humanity
- A - Accountability
- W - Willingness
- E - Excellence

PRIORITIES

1. Water & sanitation
2. Electricity
3. Roads
4. Good governance & financial viability
5. Integrated human settlements
6. LED
 - SMME & Skills development
 - Agriculture
 - Tourism
 - Business development
7. Youth development
8. Job creation
9. HIV/AIDS
10. Disaster management



MOTTO

PHAMBILI NGENTUTHUKO ENQUTHU

All the above was incorporated to the Municipal IDP 2012-2013 to 2016-2017, which is the most planning and implementation guide for all Municipal programmes and Projects. Budget, SDBIP and Performance Agreements were successfully prepared and adopted by the Council.

The above highlights conclude to the significant actions that have been undertaken by the Administration in the year 2011-2012, which to be considered as planning year.

Thank you.

Mr. B.P Gumbi (Municipal Manager of Nquthu Municipality)



chapter 1

introduction and overview

EXECUTIVE SUMMARY AND BACKGROUND

Nquthu Local Municipality is one of the four local municipalities within Umzinyathi District, and is located along the northeastern boundary of the district. It borders onto Endumeni, Emadlangeni, Abaqulusi, Ulundi, Nkandla and Msinga local municipalities (refer to Map 1). It covers an area of approximately 1451km², and is predominantly rural in nature with expansive rural settlements being one of the major features. It is accessed mainly through R68 linking Ulundi to Newcastle/Dundee. Other important roads through the municipality are the R33, passing through the northern areas, passing east of Nondweni before linking Vryheid with the R68. A gravel road links Nquthu with Kranskop.

Nquthu Town is a small but stable urban area that has established itself as the primary commercial, administrative and service centre for the Municipality as a whole. The town is the main commercial hub for the municipality with shopping mall that consists more than 50 shops, services, several supermarkets, one wholesale, informal traders and street hawkers. It serves as provincial administrative centre, with offices of the Departments of Education, Agriculture and Environmental Affairs, Works, Health, Justice and Welfare, Department of transport, Safety and Security (SAPS), Post Office, as well as a variety of social infrastructure.

The town is an old Japie Uys town established in terms of Proclamation 67 of 1983. It is almost centrally located in ward 8, at the intersection of the R68 linking Dundee to Melmoth, the road to Vryheid via Blood River and the road to Nondweni. In terms of the settlement hierarchy set out in the Integrated Rural Development Policy, Nquthu is regarded as a Provincial Administration Centre. The town is formally laid out and the current draft LUMS are being reviewed by COGTA.

The total population for Nquthu according to Stats SA's 2007 Community survey is 164 887. This represents a figure of 32 169 households at an average household size of 5.125.

THE SUMMARY OF THE CURRENT REALITY FOR NQUTHU MUNICIPALITY:

TABLE: Basic facts and figures

Basic Facts	Figures
Total Population	164 887
Number of Households	32 169
Total population of District	495 737
% of Total Population	Urbanised 5
Age Profile	
0-9	46 918 (28%)
10-19	44 812 (27%)
20-29	25 639 (16%)
30-39	15 433 (9%)
40-49	11 084 (7%)
50+	20 997 (13%)

Basic Facts	Figures
Unemployed (% of income earning population)	53.6% in 2007 47% (23 364)
HIV/Aids Rates	KZN: 32% Provincial Average DM: 39.4% National HIV & Syphilis Prevalence Survey SA (2007)

The Nquthu Municipal Area is part of a bigger tourism region known as the KwaZulu- Natal Battlefields that includes i.e. Dundee, Melmoth, Vryheid and Ulundi. The area is connected with the R68 (Battlefields Route), which consists of all the main attractions in the Battlefields namely Isandlwana, Rorke's Drift; Fugitives Drift, Blood River/Income and Elandslaagte Battlefield, amongst others. The Battlefields is also one of the key tourist attractions in the region, as well as in KwaZulu-Natal. It attracts around 3% of domestic tourists and 12% of foreigners to the Province per annum, resulting in about 130 000 tourists to the greater region. Foreign and local markets contribute equally to this amount.

Zulu Heritage and Cultural route is a relatively new concept in provincial tourism planning and marketing. It is introduced in the KwaZulu-Natal Tourism Development Strategy as one of the strategic initiatives to promote tourism in rural areas. "The development of this tourism route, which has the potential to meander throughout KwaZulu-Natal, is considered as glue that will join together the wide diversity of rural tourism attractions and sites of historical importance. More importantly, it is considered as a catalyst for opening up of the previously disadvantaged areas for further tourism development". Tourist attractions in this area include Isandlwana, which is located south of the Nquthu town.



chapter 2

performance report per municipal department



OFFICE OF THE MUNICIPAL MANAGER

This chapter comments on the progress in eliminating the backlogs in service delivery for key services that the municipality is responsible for providing. The performance highlights are divided per municipal department which are the Municipal managers Office, Budget Office, Corporate and Community Services, Planning Services and Technical services. The municipality was able to construct 21.9km of new roads within the municipality while maintaining 57.2km. The municipality was also able to create 131 jobs through all the capital projects it implemented. The municipality incurs major losses of revenue due to electricity theft and to counter this municipality audited 1131 households and business within the municipal CBD.

Mr. B.P Gumbi (Municipal Manager of Nquthu Municipality)



FINANCE DEPARTMENT ANNUAL PERFORMANCE REPORT

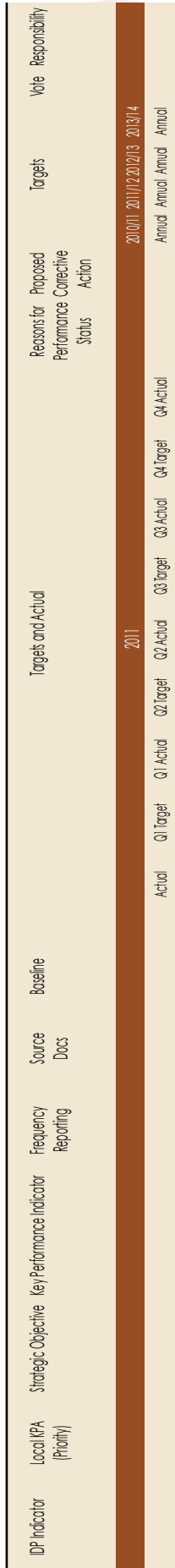
STRUCTURE OF THE DEPARTMENT

The Budget and Treasury Office has been established in terms of MFMA. There are four sections that currently operate within this department they are:

1. Expenditure Management
2. Revenue Management
3. Supply Chain Management
4. Budget and Financial Reporting.

Mr. W.S. Mpanza (Municipal Chief Financial Officer)





chapter 2

performance report per municipal department

CORPORATE AND COMMUNITY SERVICES ANNUAL PERFORMANCE REPORT



STRUCTURE OF THE DEPARTMENT

The core function of Corporate and Community Services department is to maintain, develop and provide support to all departments within the municipality. It focuses on the entire municipality's administration, secretariat, human resources, development facilitation, Information Technology and disaster management. The department is made up of six sections which are Administration, Human Resources, Community, Library, Information technology and the Traffic Section. It is with pleasure to present a report on the functioning of the Department in the 2011/12 financial year.

ADMINISTRATION

The administration section provides administrative support and guidance to all other sections within the municipality. In order to continuously manage efficiently the municipality recognizes information and records as the most important resources. Most crucially, both internal and external Communication channels have improved through the services of a messenger.

HUMAN RESOURCE MANAGEMENT

The Human Resources Section strategically manages the Municipal Human Capital of the entire municipality focusing on the following aspects:

- Restructuring the Organization in terms of the needs and challenges Nquthu Municipality with its changing Integrated Development Plan.
- Managing and monitoring the Labour Turnover of the Municipality.
- Recruitment and Selection of staff, and training existing staff.
- Human Resources Development which impacts on the Quality Service Delivery and Integrate Development Plan, and the Development of a Workplace Skills Plan and implementation thereof.
- Study Assistance Programmes, and offering in-service training to aspiring trainees who have completed tertiary levels of education.
- Policy Development and Implementation



COMMUNITY SERVICES DEPARTMENT

Community Service section mainly deals with issues related to community upliftment, Sports and recreational activities. During the 2010/11 financial year the department assisted provincial and national programmes that took place in the municipality. Through this section the municipality was hands on in the War on poverty Programme. The section is also at the forefront in fighting the HIV/AIDS pandemic within the municipality.

Librarians

The library section primarily deals with the maintenance of two libraries with Nquthu municipality and all the mobile libraries. They liaise with the provincial department of arts and culture on specific programs that assist the youth. The section is in charge of the overall performance of staff, efficiency in public provision and upkeep of the library, assist the community on how to use computers and the internet. They also assist in uplifting education in the municipality by providing services that cover information on all aspects in life e.g. languages, computers, politics, cooking, gardening, etc. it also promotes literacy and reading to the community. There is also a book exchange program with the Dundee library which enables the libraries to provide the public with new reading material on a regular basis.

Traffic Section

Disaster Management

- To assist effected people with any form of disaster and communicate with the District and the province.

Mr. X. Mbatha (Director Corporate and Community Services)



Performance Plan – Director Corporate and Community Services 2012/13

Name:	Xolani Magnificent Mbatha	Line Manager:	Bonginkosi Paul Gumbi
Employee No.:	0031304	Job Title:	Municipal Manager
Job Title:	Director Corporate And Community Services	Business Unit / Site:	Nquthu Administration Block
Division / Business Unit:	Corporate Services	Period:	01 July 2012 – 30 June 2013
Site:	Nquthu Administration Block	Review Date:	09/ 2011, 01/2012 , 03/ 2012 and 30 / 06/ 2012
Rating Scale	1. Not Meeting The Standards; 3. Meet All The Standards; 5. Meet & Exceed All Standards	2. Meet Some Of The Standards; 4. Meet All & Exceed Some Standards;	

Key Performance Area's (KPA's) Weight = 80%

Core Competency requirements (CCR's) Weight = 20%

Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
BASIC SERVICE DELIVERY- FINAL SCORE									
1		Number of Progress reports on the new sports codes promoted	3	3	3	3	3	3	3
1		Number of Monitoring reports on the indigenous games	3	3	3	3	3	3	3
1		municipal selection	3	3	3	3	3	3	3
1		district selection	3	3	3	3	3	3	3



Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
1		Number of sports facilities maintained	12		12		12		Facilities maintained by Technical service
2		4 progress reports and review & adopt indigent policy	1	1	1	1	1	1	
2		progress with regard to the review of the indigent register	1	1	1	1	1	1	
1		Number of households with access to free basic services	1205		1300		1400		1500
2		Progress reports for the establishment of a traffic unit	3	2	3		3		3 2
1		Purchase Uniforms & vehicles	Purch ased Unifor ms & vehicl es	Purch ased Unifor ms & vehicl es					
2		Disaster response time	3hr	3hr	3hr	3hr	3hr	3hr	3hr
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION- FINAL SCORE									
2		Turnaround time for dispute resolution	3 months	3 months	3 months	3 months	3 months	3 months	3 months
2		Number of HR Policies developed	0		0		0		5 7
2		number of job profiles developed and approved	75%		75%		75%		75% 100%
1		% of women employed in the 3 highest levels of management	24%		24%		24%		24% 50%



Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
2		Number Monitoring reports on IT systems installed	3	3	3	3	3	3	3
2		% of youth employed in the 3 highest levels of management	59%	100%	59%	100%	59%	100%	100%
3		% of IDP Steering Committee Meetings attended	100%	100%	100%	100%	100%	100%	100%
3		Number of performance reports with POA	1	1	1	1	1	1	1
3		number of budgeted posts filled per annum	100%	100%	100%	100%	100%	100%	100%
2		Number of flagship Monitoring reports	3	3	3	3	3	3	3
3		% of expenditure on amount Budgeted for implementing implementing the work skills plan	25%	17	25%	18	25%	17	18
5		Number of MTAS Reports	1	1	1	1	1	1	1
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE									
10		3 Progress Reports and number of LED Items at Imbizos	1	1	1	1	4	Items	
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE									
1		Number of Forums establish	1	1	1	1	1	2	2
1		Number of HIV/AIDS forum	1	1	1	1	1	1	1



Target/Standard/Measure												
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1		Q2		Q3		Q4		Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual	Target	Actual		
	1	world aids day celebration	0	0	1	1	0	0	0	0		
	1	womens day celebration	1	1	0	0	0	0	0	0		
	1	Number of gender meetings	1	1	1	1	1	1	1	1		
	1	Heritage Day celebration	1	0	0	1	0	0	0	0		
	1	Annual Indaba for the aged	1	0	0	1	0	0	0	0		
	3	Monthly monitoring reports on ward Committess	3	3	3	3	3	3	3	3		
	3	Progress reports & developed suggestion register and Box	1	1	1		1	1	1	1		
	2	gazetted by-laws	0	0	0	0	0	0	gazetted bylaws	0		
	2	Progress with the development of the disaster management plan	1	1	1	1	1		1			
	3	Progress reports and less audit queries	1	1	1	1	1	1	1	1		
	2	Number Monitoring reports on the EEP	3	1	3	1	3	1	3	1		
	2	Number of Council meetings	1	1	1	1	1	1	1	1		
	2	Number of exco Meetings	6	6	6	6	6	6	6	6		
	2	Number of departmental meetings	3		3	3	3	3	3	3		
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT- FINAL SCORE												
	2	% of deviation on budgeted amounts	5%		5%		5%		5%			



Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
2		Total of grants and subsidies spent	25%		25%		25%		
2		Compliance with GRAP (maintenance plans for Assets over R200 000 and vehicles)	Mainte plan	1 Monito ring report	1 Monito ring report	1 Monito ring report			
1		Compliance with the MFMA	100%	100%	100%	100%	100%	100%	100%
1		percentage of budget actually spent on capital projects	20%		20%		20%		20%
2		Assets management reports	1		1		1		1

Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
People Management and Empowerment	25%	See competency framework	See competency framework		
Client orientation, commercial Diplomacy and Customer focus	25%	See competency framework	See competency framework		



INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)

SIGNATURES

Employee's Comments _____

Line Manager's Comments _____

Signature

Date

Signature

Date

Contracting Period

Signature

Date

Signature

Date

After Appraisal



chapter 2

performance report per municipal department

TECHNICAL SERVICES ANNUAL PERFORMANCE REPORT



STRUCTURE OF THE DEPARTMENT

The Department of technical services is made up of seven sections which are: Infrastructure Development, Street cleaning and refuse removal, Building and Maintenance, Electrical, Public convenience, Parks /Gardens /Cemetery and Roads/ Transport. The core function of the department revolves around the above mentioned areas.

Street Cleaning and Refuse Removal

The main aim for this section is to improve the quality of life and social well-being of people of the Nquthu Town, Nquthu Township and Nondweni by keeping the environment clean. Arrange Daily Street cleaning refuse removal in Nquthu Town, Nquthu Township and Nondweni. Public and commercial bins have been procured. Waste is disposed of at the permitted landfill sites.

Public convenience

It is the responsibility of the section to ensure that all public toilets within Nquthu Town are kept clean and in hygienic condition for public to use. Public toilets are opened from 7h00 to 17h00 daily. Liaise with market stalls committee regarding unlawfully usage of the toilets.

Maintenance of municipal buildings (parks, gardens, stadium and cemeteries)

It is the responsibility of the section to see to it that all Municipal buildings are maintained at all times including cutting of dangerous trees. Prepare weekly graves and monitor registration. Arrange cutting of grass to offices, halls and playing grounds. Arrange plantation of trees to offices and community halls.

Roads and Stormwater Management

It is the responsibility of the section to ensure that the public can commute safely in the area. To achieve this it is imperative that tar and gravel roads are maintained to an optimum standard. The stormwater network has to manage and control stormwater runoff in such a way that no loss of life and minimum damage to property occurs. Existing roads are being maintained using Municipal Resources Infrastructure Development The section focuses on the implementation of the capital budget (MIG) that addresses the creation of new infrastructure, reducing backlogs and the rehabilitation of existing infrastructure. Job opportunities are also created. All projects implemented are taken from the Municipal IDP. Service providers are appointed to design and monitor the implementation of projects.



Electrical Section

The main focus of this section is to maintain the existing infrastructure (substations, cables and street lights), ensure that the residents get quality of supply according to the relevant acts and recommend new infrastructure where needed. The Municipality has a license to provide electricity to Nqutu Town while ESKOM provides electricity to all other areas within Municipal boundaries. Random households visit are conducted to validate prepaid meters and make necessary disconnections, this forms part of improving revenue for the Municipality as there were huge losses associated with bulk electricity purchased from ESKOM. Contractors are called to assist if there is a major breakdown from the electrical system.

Mr. M. Gcabashe (Director Technical Services)



Performance Plan – Director Technical Services 2011/12

Name:	Msizi Wiseman Gcabashe	Line Manager:	Bonginkosi Paul Gumbi
Employee No.:	0081426	Job Title:	Municipal Manager
Job Title:	Director Technical Services	Business Unit / Site	Nquthu Administration Block
Division / Business Unit:	Technical	Period:	01 July 2012 – 30 June 2013
Site:	Technical Building	Review Date:	09/ 2011, 01/2012 , 03/ 2012 and 30 / 06/ 2012
Rating Scale	1. Not Meeting The Standards; 3. Meet All The Standards; 5. Meet & Exceed All Standards		
	2. Meet Some Of The Standards; 4. Meet All & Exceed Some Standards;		

Key Performance Area's (KPA's) Weight =80%
Core Competency requirements (CCR's) Weight =20%

Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
BASIC SERVICE DELIVERY- FINAL SCORE									
2		No. of district water meetings	1	1	1	1	1	1	NIL
3		No. of Monitoring reports on water projects	3	1	3	1	3	3	NIL
2		No. of district sanitation meetings	1	1	1	1	1	1	NIL
3		Number of Monitoring reports on sanitation projects	3	1	3	1	3	3	NIL
2		Number of monitoring reports on Audit Routine Maintenance and Repairs.	3		3		3	3	NIL
2		Number of Monitoring reports on households with access to basic levels of electricity	3		3		3	3	SEE A
2		Number of district ESDP meetings attended	1	1	1		1	1	
3		Number of Maintain reports of the Nquthu substation	3	1	3	0	3	3	NIL
5		KM of road constructed	3km		7km		10	7km	SEE B
5		Km of road maintained	15km		15km		15km	15km	SEE C



Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score	
			Target	Actual	Target	Actual	Target	Actual	
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION- FINAL SCORE									
5		Number of road infrastructure constructed (Pavements, traffic lights & Bridges)	0	0	1	1	1	1 set of traffic lights and 1 bridge	Hlathimazibuko Bridge and Pasoana Bridge are complete. Traffic lights has been installed at the CBD , SEE D
3		Number of community facilities constructed	0	0	1	1	1		Kwanyezi and Luvisi and halls are in construction stage, SEE E
5		Frequency at which streets are cleaned	2 times a Week	7	2 times a Week	7	2 times a Week	2 times a Week	Street are cleaned every day as from Monday to Sunday, Refuse collection at Charles Johnson Memorial Hospital (CJM) was done every Monday SEE F
5		Number of refuse removal Implementation reports	3		3		3		NIL
5		Land sites progress reports	1	1	1	1	1	1	
3		Municipal Maintenance programme. (repair of municipal toilets	2 times a Week		2 times a Week		2 times a Week	2 times a Week	SEE G
2		number of street lights installed	0	0	0	0	1	0	NONE
3		Number maintenance reports on the Cemetery	3	7	3	7	3	3	SEE H



Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION- FINAL SCORE								
2		% of attendance at IDP Steering Committee Meetings	100%	100%	100%	100%	NONE	
			Atten dance	Atten dance	Atten dance	Atten dance		
2		Number of Progress reports on the MTAS	1	1	1	0	1	NONE
			progress report		progress report		progress report	
2		number of Progress reports on addressing audit quires & less audit quires	1	1	1	0	1	NONE
			progress report		progress report		progress report	
4		Number of Monitoring Reports on Risk management	3		3	0	3	NONE
			monitoring reports		monitoring reports		monitoring reports	
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE								
10		Number of Jobs opportunities created through the capital projects	20	60	20	28	20	SEE I
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE								
5		Number of departmental meetings	3	4	3	2	3	SEE J
5		Number of Departmental Performance Reports Submitted to MM's Offices	1	1	2	2	3	1 SEE K

Target/Standard/Measure										
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review			Score
			Target	Actual	Target	Actual	Target	Actual	Target	Actual
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT- FINAL SCORE										
1		% of deviation on budgeted amounts	5%		5%		5%		5%	NONE
2		Compliance with GRAP (maintenance plans for Assets over R200 000 and vehicles)	Maintenance plan		1		1		1	NONE
				Monitoring report		Monitoring report		Monitoring report		
1		Compliance with the MFMA	100%		100%		100%		100%	
2		percentage of budget actually spent on capital projects	20%		20%		20%		20%	
2		Assets management reports	1		1		1		1	NONE
2		% of expenditure of the MIG Allocation	40%	8.5%	20%	50%	20%	86.4%	20%	100 SEE L

Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
People Management and Empowerment	25%	See competency framework	See competency framework		
Client orientation, commercial Diplomacy and Customer focus	25%	See competency framework	See competency framework		



INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)

SIGNATURES

Employee's Comments _____

Line Manager's Comments _____

Signature

Date

Signature

Date

Contracting Period

Signature

Date

Signature

Date

After Appraisal

chapter 2

performance report per municipal department

ANNUAL PERFORMANCE REPORT FOR DEPARTMENT OF PLANNING, ECONOMIC DEVELOPMENT, HOUSING AND LAND ADMINISTRATION



STRUCTURE OF THE DEPARTMENT

The Planning Department is divided into five sections which are the Development management, LED & Tourism, Geographical Information Systems, Housing and land Administration. The duties for these sections are as follows:

Development Management:

1. Development Control
2. Development Facilitation
3. Land Use Management

LED & Tourism;

1. Project Management
2. Local Economic Development
3. Tourism Promotion
4. International Relations

Geographical Information System (GIS);

1. Policy Development & Implementation
2. Data Capture, Analysis, Manipulation & Integration
3. Mapping
4. Municipal Estate Property Management



Housing;

1. Housing Plan Review
2. Housing Project Packaging
3. Housing Project management and monitoring

Land Administration;

1. Land Management
2. Land Acquisition and Disposal
3. Plans Approval
4. Building Inspection

Department of Planning will be reporting on the Five National Key Performance Areas (KPA) as per the Performance Agreement of the head of Department the table below shows all the progress made in all the Key Performance Indicators that are linked to the Five National KPA up until the 30th June 2011.

Mr. M.B. Jiyane (Director Planning, Economic Development, Housing and Land Administration)



Performance Plan – Director Technical Services 2011/12

Name:	Mpumelelo Baldwin Jiyane	Line Manager:	Bonginkosi Paul Gumbi
Employee No.:	0011008	Job Title:	Municipal Manager
Job Title:	Director Planning, Led, Housing And Land Administration		
Division / Business Unit:	Planning	Business Unit / Site Period:	Nquthu Administration Block 01 July 2012 – 30 June 2013
Site:	Nquthu Administration Block	Review Date:	Oct, Nov & Dec 2011
Rating Scale	1. Not Meeting The Standards; 3. Meet All The Standards; 5. Meet & Exceed All Standards	2. Meet Some Of The Standards; 4. Meet All & Exceed Some Standards;	

Key Performance Area's (KPA's) Weight =80%
Core Competency requirements (CCR's) Weight =20%

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
BASIC SERVICE DELIVERY- FINAL SCORE								
	4	progress reports and reviewed Municipal Housing Plan,	1				1st Q Reviewing update	
							2nd Q Internal review continues to ascertain if the final review needs an independent person or all review will happen internally	
				1	1	1	3rd Q SCM is busy with the process to appoint a consultant for review	
							4th Q The Consultant has been appointed	



Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
BASIC SERVICE DELIVERY- FINAL SCORE								
		Number of Housing(monitored) reports	3					
							1st Q 3 (Reports attached)	
							2nd Q 3 (Reports attached) 154 site inspected at Ngolokodo Project by Building Inspector, Jabavu	
			3	3	3	3	3	3
							Masotsheni is on readvert stage.	
							3rd Q 3 (reports attached)	
							4th Q 3 (reports attached)	
		Number of Housing forums conducted,	1	1	1	1	1	1
							1st Q 1 housing forum was held on the 18 August 2011 (Minutes & Attendance register attached)	
							2nd Q 1 housing forum was held on the 20 October 2011 (Minutes & Attendance register attached)	
							3rd Q Meeting did not sit	
							4th Q 1 Housing forum was held on the 12 July 2012 (Minutes & Attendance register attached)	

Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
BASIC SERVICE DELIVERY- FINAL SCORE									
		Number of Housing forums conducted,	1	1	1	1	1	1	<p>1st Q</p> <p>1 housing forum was held on the 18 August 2011 (Minutes & Attendance register attached)</p> <p>2nd Q</p> <p>1 housing forum was held on the 20 October 2011 (Minutes & Attendance register attached)</p> <p>3rd Q</p> <p>Meeting did not sit</p> <p>4th Q</p> <p>1 Housing forum was held on the 12 July 2012 (Minutes & Attendance register attached)</p>
		Number of progress reports with finalisation of land proclamation (Nquthu Town and Nondweni)	3	3	3	3	3	3	<p>Correspondence with State Attorney's Office is attached as this matter is sitting with the State Attorney for almost a year</p>
		Number of progress reports on finalisation of land formalisation process (Erf 100)	3	3	3	3	3	3	<p>Terms of Reference have been produced. Advert developed and advertised</p> <p>4th Q</p> <p>Still on Evaluation Process with some challenges around unclear areas on some documents which eventually resolved and on recommendation stage.</p>



Target/Standard/Measure										
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score	
			Target	Actual	Target	Actual	Target	Actual		
BASIC SERVICE DELIVERY- FINAL SCORE										
		Number of building plans and building inspection reports	3	3	3	3	3	3	3	1st Q 5 Building plans approved, 12 site inspection and 4 occupation certificate issued 2nd Q 8 building plans approved, b 10 site inspection in CBD, Nondweni Township and Location, and 0 occupation certificate issued 3rd Q 4 building plans approved - 7 inspection reports 4th Q 3 Building plans approved, 16 site inspection and 16 occupation certificate issued
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION- FINAL SCORE										
		No. departmental meetings	3	2	3	2	3	3	1	1st Q 2 (Minutes and attendance register attached) 2nd Q 2 (Minutes and attendance register attached) 3rd Q Meeting did not sit 4th Q 1 (minutes and attendance register attached)

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION- FINAL SCORE								
		% of IDP Steering Committee Meetings attended	100%	100%	100%	100%	100%	1st Q None was scheduled 2nd Q Meeting was held on the 17 November 2011 (minutes attached) 3rd Q No Meeting 4th Q No Meeting
		Performance reports submitted to MM's Office (POA)	1	1	1	1	1	1 1st Q 1 report 2nd Q 1 report 3rd Q 1 report 4th Q 1 report
		Number of Progress reports on the MTAS	1	1	1	1	1	2nd Q 1 report was made to the Council on the 06 October 2011
		Number of Monitoring Reports on Risk management	3	3	3	3	3	No report produced yet as this needs more support from the Office of the MM and Finance Section
		Progress reports and less audit queries	1	1	1	1	1	No report produced yet as this needs more support from the Office of the MM and Finance Section



Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE									
		Number of progress reports and Formalisation of Nquthu Informal Trading, Expansion of Nquthu Market Stalls, Formalising Structures that promote free and coordinated trading	3	3	3	3	3	3	1
									1st Quarter Informal Trading Chamber has been established. Minutes attached. And 3 progress reports on Market Stalls
									2nd Quarter 3 Progress reports on the expansion of Market stalls are attached
									3rd Quarter 3 Progress reports on the expansion of Market stalls are attached
									4th Quarter 1 Closeout Report for Market Stalls
		Number of UDF implementaion Reports	1	3	1	3	1	3	1
									3 3 reports in each quarter for CBD Roads as the main project identified in terms of UDF
		Number of Meetings with potential investors	1	1	1	1	1	1	1
									1st Q Presentation on the 05th September 2011 was held with potential investors (Minutes attached)
									2nd Q Meeting with Browns Cash and Carry on the 07 September 2011_and presentation to the Council was organised and made by BDC for Nquthu Mall.

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE								
		Funding Proposal for Nquthu Tourism Development Plan	3		3		3	
							No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager	
		Number of jobs created through LED and Capital Projects	20	15	20	25	20	21
							16	
							There is increasing number of temporary jobs created in the construction of Market Stalls and Upgrade of intersection. Monthly progress reports attached	
		Number of Progress Reports on Cooperation Agreement and Action Plan	3	1	3	2	3	3
							1st Q	
							Report for the visit of delegation from Bornem attached	
							2nd Q	
							1 report for the delegation to Bornem and 1 report for youth drivers licence project	
		Number of Trainings and workshops for SMME's and Informal Traders	1	1		1		
							1	
							1st Quarter	
							Training organised with DEDT	
							4th Quarter	
							Coops training	
		Number of Progress Reports on the LED Strategy	3	1	3		3	3
							Meeting with uMzinyathi LED Section was held on the	
							23 August 2011 for the finalisation of LED Strategy.	
							No further progress in this item as the delays in the appointment of LED	

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE								
			1	1	1	3	1st and 2nd Quarter Cogta has funded this project and it is still on procurement stage. Report attached	
		Number of Monitoring reports on the Development of the Incubator Business Plan					3rd Quarter 1 report updating Cogta about progress	
							4th 3 Progress Reports	
		Number of progress reports on the Facilitation of Tourism, Art and Culture Activities	1	1	1	1	Report on Nquthu Cultural Events is attached	
		Number of progress reports on the review and adoption of Agriculture Strategy	1	1	1	1	No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager	
		Number of progress reports on the Development of Investment Plan	1	1	1	1	No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager	
		Number of progress reports on the Development of Mdlenevini Feasibility Study	1	1	1	1	No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager	
		Number of progress reports on the Mining Feasibility Study 1	1	1	1	1	No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager	

Target/Standard/Measure									
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review		Score
			Target	Actual	Target	Actual	Target	Actual	
LOCAL ECONOMIC DEVELOPMENT- FINAL SCORE									
		number of monitoring reports on the Small towns rehabilitation project 3	3	3	3	3	3	3	1st Q 3 (monthly reports attached)
									2nd Q 3 (monthly reports attached)
									3rd Q 3 (monthly reports attached)
									4th Q 3 (monthly reports attached)
		Number of progress reports on the Industrial Development Study	1	1	1	1			No report has been produced yet as per a delay on the appointment of the LED and Tourism Manager
		Number of progress reports on the Monitoring of Flemish and Federal Programmes	1		1	1	1		Report was presented to the Council on the 20th and it is attached
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE									
		4 progress report and Approved Draft LUMS and URF by Council	1		1		1	Approved LUMS	1st Q There is an assessment report from COGTA derived from what we have been thinking was draft LUMS done by consultants long time ago. The report is telling us that it was a LUMS framework that was wrongly done and they don't see the intention on the framework.
									2nd Q Nquthu TPS Report is attached



Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE								
		Public participation prior to LUMS approval	0	1	1	1	0	0
							1st Q The second PSC meeting was held on the 28 of September and progress report was given on the scheme, updated Maps were given to the municipality.	
							2nd Q The municipality has undertaken the urban scheme project which is one step towards the requirement of the PDA that require the municipality to have a wall to wall scheme by 2015. The processes have been started and there is a first clause draft together with a draft scheme map in place. The municipality is now at a final stage where Gogta has to send last comments before gazette and the next step is to plan for the next phase to complete wall to wall scheme.	
		100% of training and workshops for PDA	100%				1st Q The Council induction workshop was conducted on the 19th September 2011, where there was COGTA to train council about the PDA. We used this opportunity as planning department to explain to the council what the department is about.	

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE								
		Number of monitoring reports of Participation in the development planning shared services	1	1	1	1	1	1
							1st Q Report attached.	
							2nd Q Report attached.	
							3rd Q Report attached	
							4th Q The senior Planner forwarded one report and has been reminded to forward every month.	
		No of GIS training attended by technician	0	1	1	0	1	0
							1st Q ArcGIS Server Training attended in August	
							2nd Q None – schedules for training did not have the courses planned for. Workshops attended as part of the ESRI conference	
							3rd Q Creating and Publishing Maps with ArcGIS	
							4th Q GIS Workflows and Analysis	

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE								
		GIS Equipments and Data by June 2012	1				<p>1st Q Specifications researched and compiled for GIS equipments. IR submitted to Finance</p> <p>2nd Q List and contacts for service providers provided to SCM Quotations have since been obtained from some of the contacts provided</p> <p>3rd Q The process of acquiring equipment with Finance</p> <p>4th Q Plotter, its accessories and steel cabinet acquired</p>	
		Number of GIS Monitoring reports	3	3	3	1	3	<p>2 1st Q 3 Reports</p> <p>2nd Q 1 report that cover Oct - Dec 2011</p> <p>3rd Q 1 report Jan-Mar</p> <p>4th Q April and May-June reports submitted</p>

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
GOOD GOVERNANCE AND PUBLIC PARTICIPATION - FINAL SCORE								
		Mapping of Municipal Servitudes	0	0	0	Mapped Municipal servitudes	1st Q Discussions with HSK Consultants revealed no servitudes exist in Nquthu and owners of such are responsible for the survey and registration of servitudes. 2nd Q Discussions with HSK Consultants on the 23rd of September 2011 revealed no servitudes exist in Nquthu and owners of such are responsible for the survey and registration of servitudes.	
		Number of eviction reports to ensure compliance with statutory planning By-laws	1	1	1	1	1	1st Q No evictions conducted 2nd Q No evictions conducted 3rd Q Report attached 4th Q Report attached
		Number of progress reports on policies, by-laws and PDA delegation developed	1	1	1	1	1	2nd Q Delegations have been gazetted and the municipality is awaiting for the copy from government printers.

Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT- FINAL SCORE								
		% of deviation on budgeted amounts	5%	5%	5%	5%	1st Q 0%	
							2nd Q 0%	
							3rd Q %	
							4th Q %	
		Compliance with GRAP (maintenance plans for Assets over R200 000 and vehicles)	Maint enance plan	1 Monitoring report	1 Monitoring report	1 Monitoring report	Report is attached and was presented to the Council on the 20th December 2011	
		Compliance with the MFMA	100%	100%	100%	100%	1st Q 100%	
							2nd Q 100%	
							3rd Q %	
							4th Q %	



Target/Standard/Measure								
Key Objective	Weight	Performance Indicators/ Key Deliverable/Output	Q1	Q2	Q3	Q4	Progress on date of review	Score
			Target	Actual	Target	Actual	Target	Actual
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT- FINAL SCORE								
		percentage of budget actually spent on capital projects	20%	4%	20%	33%	20%	20%
							1st Q	24%
							2nd Q	33%
							3rd Q	%
							4th Q	%
		Total of grants and subsidies spent	25%	34%	25%	43%	25%	25%
							1st Q	34%
							2nd Q	43%
							3rd Q	%
							4th Q	%
		Assets management reports	1	1	1	1		

Core Competency Requirements	Weight	Performance Indicators/ Key Deliverable / Output	Target/Standard/Measure	Progress on date of review	Score
Strategic Capability and Leadership	25%	See competency framework	See competency framework		
Financial Management	25%	See competency framework	See competency framework		
People Management and Empowerment	25%	See competency framework	See competency framework		
Client orientation, commercial Diplomacy and Customer focus	25%	See competency framework	See competency framework		

INDIVIDUAL TRAINING & PERSONAL DEVELOPMENT PLAN (PDP)				
SIGNATURES				
Employee's Comments _____		Line Manager's Comments _____		
_____		_____		
_____		_____		
_____		_____		
Signature	Date	Signature	Date	Contracting Period
_____	_____	_____	_____	_____
Signature	Date	Signature	Date	After Appraisal
_____	_____	_____	_____	_____

chapter 3

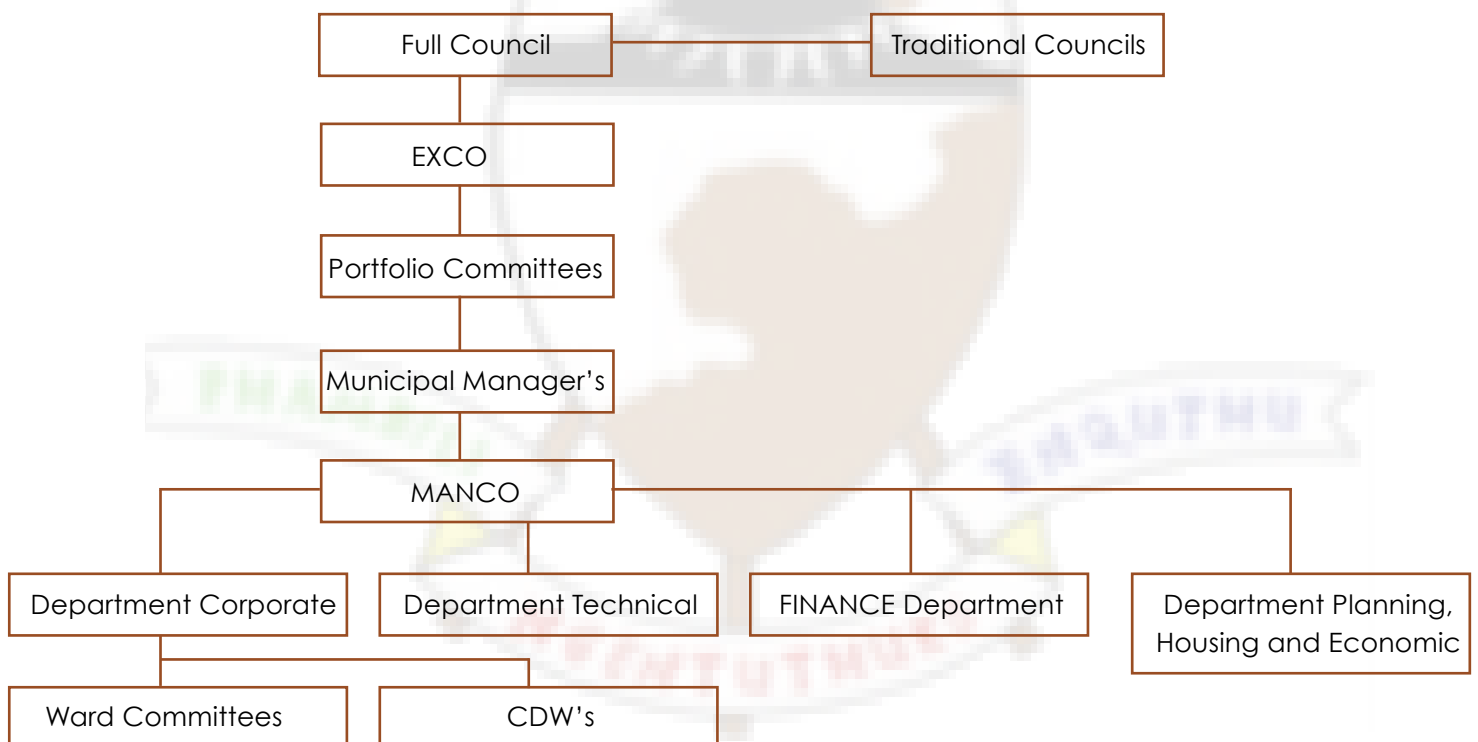
human resource and other organisational

MUNICIPAL INSTITUTIONAL ARRANGEMENTS

The diagram below shows the abridged framework for institutional arrangements of Leadership and Administration in the Municipality. The current Nquthu Local Municipality administration comprises the Office of the Municipal Manager and four departments, namely:

- Technical Services,
- Financial Services,
- Corporate & Community Services; and
- Development Planning Housing & Economic Development Housing & Land Administration.

MUNICIPAL ORGANOGRAM



Municipal Governance

The municipality has a total number of 34 constitutionally elected councillors representing their respective political parties in the municipal governance. The Municipal Governance is proportionally represented as follows:

- IFP – 14;
- NFP–5
- ANC – 14 and
- DA–1

The Executive Committee (EXCO) is made up of six councillors including the Mayor, Deputy Mayor, Speaker (ex-officio), and four other EXCO members. Most of the EXCO members preside over specific Portfolio Committees, which ensures necessary strategic direction and active participation by all municipal councillors.

Staff Complement

The Nquthu Local Municipality has a total work force of 127 Staff members being distributed among the four departments and Office of the MM. The number of the staff is highlighted as per department in a table below:

TABLE: Municipal Staff Component

Department	Staff Component
Office of the Municipal Manager	8
Planning, Economic Development, Housing and Land Administration	6
Corporate Services	28
Finance Department	21
Technical Services	64
Total	127

chapter 4

audited financial statements and audit report

1) AUDITED FINANCIAL STATEMENTS

Refer to annexure A

2) AUDIT REPORT

Refer to annexure B

3) AUDIT ACTION PLAN

Refer to annexure C

4) ORGANOGRAM

Refer to annexure E



general Information

Nature of business and principal activities Executive Committee

Mayor

Ordinary Councillors

Local Municipality

Cllr. EN Molefe (Mayor)
Cllr. SM Kunene (Deputy Mayor)
Cllr. NM Zungu
Cllr. RS Nyamane
Cllr. ML Dlamini
Cllr. NS Mkhize
Cllr. VB Ntombela (Speaker) (Ex Officio)

Cllr. Z Sithole
Cllr. JC Ndlovu
Cllr. SM Buthelezi
Cllr. GAN Buthelezi
Cllr. LS Sangweni
Cllr. SM Shabangu
Cllr. TW Madondo
Cllr. RS Langa
Cllr. KS Selepe
Cllr. CS Mzizi
Cllr. HM Moloi
Cllr. RA Ndlovu
Cllr. SMC Zikode
Cllr. CT Buthelezi
Cllr. GH Buthelezi
Cllr. LS Hoffman
Cllr. IT Nhlebela
Cllr. TM Ndlovu
Cllr. FA Hlatshwayo
Cllr. PP Khoza
Cllr. EM Mkhwanazi
Cllr. ME Mnguni
Cllr. SP Mazibuko
Cllr. SJ Mkhwanazi
Cllr. ZG Ngcobo
Cllr. BI Zwane
Cllr. ET Zulu

Grading of local authority

Accounting Officer

Chief Finance Officer (CFO)

Registered office

Business address

Postal address

Bankers

Auditors

Attorneys

Grade 2

Mr. Bonginkosi Paul Gumbi

Mr. Welcome Sakhile Mpanza

Municipal Building
83/11 Mdlalose Street
Nquthu
3135

Municipal Building
83/11 Mdlalose Street
Nquthu
3135

Private Bag X 5521
Nquthu
3135
ABSA South Africa

Auditor General

Kevin Dass Attorneys
Accutts & Worthington



general Information

INDEX

The reports and statements set out below comprise the annual financial statements presented to the Nquthu Local Municipality Council.:

Index	Page
Statement of Financial Position	48
Statement of Financial Performance	49
Statement of Changes in Net Assets	51
Cash Flow Statement	52
Accounting Policies	54 - 67
Notes to the Annual Financial Statements	68 - 100

Appendixes:

Appendix A: Schedule of External loans

Appendix B: Analysis of Property, Plant and Equipment

Appendix C: Segmental analysis of Property, Plant and Equipment

Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officers has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.



Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	8	99,890	64,970
Other receivables from exchange transactions	9	727,894	1,220,624
VAT receivable	10	3,311,653	660,908
Consumer debtors	11	6,899,310	10,775,985
Cash and cash equivalents	12	61,039,468	32,455,500
		72,078,215	45,177,987
Non Current Assets			
Investment property	4	1,227,659	1,294,264
Property, plant and equipment	5	96,900,040	69,349,336
Intangible assets	6	39,028	50,405
		98,166,727	70,694,005
Non current assets held for sale	7	1,266,451	-
Total Assets		171,511,393	115,871,992
Liabilities			
Current Liabilities			
Finance lease obligation	13	439,245	724,523
Payables from exchange transactions	17	5,766,002	3,281,235
Consumer deposits	18	90,687	90,687
Unspent conditional grants and receipts	14	12,154,802	12,516,511
Provisions	15	1,595,388	1,628,748

Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2012	2011
DBSA Loan Current portion	16	789,287	763,099
		20,835,411	19,004,803
Non Current Liabilities			
Finance lease obligation	13	12,320	389,917
DBSA Loan Long term portion	16	1,693,199	2,482,480
		1,705,519	2,872,397
Total Liabilities		22,540,930	21,877,200
Net Assets		148,970,463	93,994,792
Net Assets			
Accumulated surplus		148,970,461	93,994,781



Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	20	5,871,748	5,990,029
Service charges	21	11,969,381	9,456,928
Property rates penalties imposed and collection charges		543,006	739,289
Rental of facilities and equipment		454,223	526,717
Fines		160,698	280,785
Government grants & subsidies	22	95,388,232	63,586,658
Miscellaneous other revenue		409,134	405,616
Commissions received		71,829	69,384
Interest received investment	28	2,255,249	528,637
Total Revenue		117,123,500	81,584,043
Expenditure			
Personnel	25	(17,301,080)	(17,014,526)
Remuneration of councillors	26	(6,795,323)	(6,050,747)
Depreciation and amortisation	29	(4,814,570)	(4,132,696)
Finance costs	30	(191,942)	(272,435)
Debt impairment	27	(2,201,627)	(1,685,214)
Repairs and maintenance		(577,450)	(496,651)
Bulk purchases	34	(11,552,508)	(9,129,916)
Contracted services	32	(2,516,293)	(1,565,471)
Grants and subsidies paid	33	(2,887,987)	(3,909,119)
Loss on disposal of assets	19	-	(138,511)
General Expenses	24	(13,933,140)	(8,595,334)
Total Expenditure		(62,771,920)	(52,990,620)
Surplus for the year		54,351,580	28,593,423

Annual Financial Statements for the year ended 30 June 2012

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated Surplus	Total Net Assets
Balance at 01 July 2010	65,401,358	65,401,358
Changes in net assets		
Surplus for the year	28,593,423	28,593,423
Total changes	28,593,423	28,593,423
Opening balance as previously reported	94,618,880	94,618,880
Adjustments		
Prior year adjustments	1	1
Balance at 01 July 2011 as restated	94,618,881	94,618,881
Changes in net assets		
Surplus for the year	54,351,580	54,351,580
Total changes	54,351,580	54,351,580
Balance at 30 June 2012	148,970,461	148,970,461
Note(s)		



Annual Financial Statements for the year ended 30 June 2012

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		11,969,381	15,446,957
Grants		95,388,232	63,586,658
Interest income		2,255,249	528,637
Other receipts		7,510,638	2,021,791
		117,123,500	81,584,043
Payments			
Employee costs		(24,096,403)	(23,065,273)
Suppliers		(29,781,432)	(24,824,803)
Finance costs		(78,171)	(91,303)
		(53,956,006)	(47,981,379)
Undefined difference compared to the cash generated from operations note		509,954	-
Net cash flows from operating activities	35	63,677,448	33,602,664
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(33,694,859)	(10,406,326)
Proceeds from sale of property, plant and equipment	5	141,118	(75)
Purchase of other intangible assets	6	-	(45,537)
Net cash flows from investing activities		(33,553,741)	(10,451,938)
Cash flows from financing activities			
Movement in DBSA loan – long term portion		(763,093)	(748,135)
Finance lease payments		(776,646)	(752,008)
Net cash flows from financing activities		(1,539,739)	(1,500,143)
Net increase in cash and cash equivalents		28,583,968	21,650,583
Cash and cash equivalents at the beginning of the year		32,455,500	10,804,835
Cash and cash equivalents at the end of the year	12	61,039,468	32,455,418



annexure a

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2012 and were signed on its behalf by:

**Accounting Officer
Designation**



annexure a

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 Provisions.

1.2 Investment property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or,
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal."

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.



Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

1.3 Property, plant and equipment

Property, plant and equipment are tangible non current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non monetary asset or monetary assets, or a combination of monetary and non monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the



item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	
• Office buildings	30
Plant and machinery	3 - 10
Furniture and fixtures	3 - 10
Motor vehicles	5
Office equipment	5
IT equipment	5
Computer software	5
Infrastructure	
• Electricity Networks	25 - 30
• Street lights	25
• Taxi Ranks	20
Community	
• Cemetery	15 - 25
• Waste sites	25 - 30
Capital work in progress Roads	
Finance leased Assets	3 - 5
Investment property	5 - 30
Heritage assets	

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. These assets are not accounted for as non current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recoverable service amount is the higher of a non cash generating asset's fair value less costs to sell and its value in use.

Value in use of a non cash generating asset is the present value of the asset's remaining service potential.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets comprise computer software and anti virus software and are initially recognised at cost.



An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Classification and derecognition

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cash flows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Receivables from exchange transactions

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.



The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, in which case their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first in, first out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write down of inventories to net realisable value or current replacement cost and all losses related to inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non current assets held for sale and disposal groups

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.



1.10 Impairment of cash generating assets

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash generating assets from non cash generating assets are as follow:

Identification

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Impairment of non cash generating assets

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non cash generating assets are assets other than cash generating assets.



Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non cash generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.



Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.



When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non exchange transactions

Non exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non payment by the offender. The revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.



Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in kind are received without conditions attached, revenue is recognised immediately.

If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Interest and rental income

Interest is recognised using the effective interest rate method. Rentals are recognised on a time proportion basis.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred since it is impractical to capitalise these as the PPE constructed though these borrowings is recognised at fair values.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.



Unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government

Irregular expenditure is also any expenditure incurred in contravention of the municipality's supply chain management policy.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.



1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 51.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Commitments

The municipality at the end of the reporting period will have commitments in relation to the transactions in progress that will be finished after reporting date.

These will be disclosed in the commitments indicating if they are contracted or not. The property, plant and equipment note will also detail those projects that are under construction as at reporting date.

The commitment will arise either if the transaction was concluded at year end or not in relation to the signing of the contract. If the bidding process is still under way the commitment will also be raised.

1.27 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.



annexure a

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2012 annual financial statements is as follows:

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

• GRAP 25: Employee benefits	01 April 2013	Unable to reliably estimate the impact
• GRAP 104: Financial Instruments	01 April 2012	Unable to reliably estimate the impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Unable to reliably estimate the impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Unable to reliably estimate the impact
• GRAP 107: Mergers	01 April 2014	Unable to reliably estimate the impact

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 18: Segment Reporting 	01 April 2013	Unable to reliably estimate the impact

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

4. Investment property

	2012			2011		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulate depreciation and accumulated impairment	Carrying value
Investment property	1,999,640	(771,981)	1,227,659	1,999,640	(705,376)	1,294,264

Reconciliation of investment property 2012

	Opening balance	Depreciation	Total
Investment property	1,294,264	(66,605)	1,227,659

Reconciliation of investment property 2011

	Opening balance	Depreciation	Total
Investment property	1,360,918	(66,654)	1,294,264



A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:

the fact that the entity has disposed of investment property not carried at fair value, the carrying amount of that investment property at the time of sale, and the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie.

Transitional provisions

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Property, plant and equipment

	2012			2011		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulate depreciation and accumulated impairment	Carrying value
Land	13,270,852	-	13,270,852	13,270,852	-	13,270,852
Buildings	28,109,389	(4,550,826)	23,558,563	24,313,677	(3,583,487)	20,730,190
Plant and machinery	4,159,405	(1,055,553)	3,103,852	6,040,759	(2,000,804)	4,039,955
Furniture and fixtures	2,189,056	(831,155)	1,357,901	1,893,033	(593,384)	1,299,649
Motor vehicles	3,811,708	(598,970)	3,212,738	3,331,456	(2,430,910)	900,546
IT equipment	1,080,860	(553,824)	527,036	995,458	(456,349)	539,109
Infrastructure	40,275,877	(15,750,512)	24,525,365	30,800,187	(13,729,844)	17,070,343
Community	2,412,171	(1,130,776)	1,281,395	1,948,771	(1,132,164)	816,607
Capital work in progress Roads	21,265,157	-	21,265,157	8,084,372	-	8,084,372
Capital works in progress community halls	4,400,008	-	4,400,008	1,504,748	-	1,504,748
Finance leased Assets	2,031,889	(1,713,604)	318,285	1,996,212	(982,135)	1,014,077
Heritage	78,888	-	78,888	78,888	-	78,888
Total	123,085,260	(26,185,220)	96,900,040	94,258,413	(24,909,077)	69,349,336



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Total
Land	13,270,852	-	-	-	-	-	13,270,852
Buildings	20,730,190	3,011,641	-	-	784,071	(967,339)	23,558,563
Plant and machinery	4,039,955	33,61	-	(640,815)	3,500	(332,407)	3,103,852
Furniture and fixtures	1,299,649	316,136	-	(20,367)	21,185	(258,702)	1,357,901
Motor vehicles	900,546	3,176,798	-	(605,269)	-	(259,337)	3,212,738
IT equipment	539,109	153,204	-	-	-	(165,277)	527,036
Infrastructure	17,070,343	-	-	-	9,436,193	(1,981,171)	24,525,365
Community	816,607	505,673	-	-	-	(40,885)	1,281,395
Capital work in progress - Roads	8,084,372	22,616,978	-	-(9,436,193)	-	-	21,265,157
Capital works in progress - community halls	1,504,748	3,704,016	-	-(808,756)	-	-	4,400,008
Finance leased Assets	1,014,077	176,794	(141,118)	-	-	(731,468)	318,285
Heritage	78,888	-	-	-	-	-	78,888
	69,349,336	33,694,859	(141,118)	(1,266,451)	-	(4,736,586)	96,900,040

	Opening balance	Additions	Disposals	Reclassification	Depreciation	Total
Land	14,300,000	-	-	(1,029,148)	-	13,270,852
Buildings	10,775,299	-	-	10,822,760	(867,869)	20,730,190
Plant and machinery	3,370,521	147,808	(1,973)	849,489	(325,890)	4,039,955
Furniture and fixtures	474,780	305,763	(13,541)	775,744	(243,097)	1,299,649
Motor vehicles	422,551	-	-	585,402	(107,407)	900,546
IT equipment	569,424	133,054	(7,969)	(641)	(154,759)	539,109
Infrastructure	19,780,815	-	-	(1,049,409)	(1,661,063)	17,070,343
Community	3,418,080	-	-	(2,561,712)	(39,761)	816,607
Capital work in progress - Roads	-	8,084,372	-	-	-	8,084,372
Capital works in progress - community halls	-	1,504,748	-	-	-	1,504,748
Finance leased Assets	1,562,372	230,581	(114,953)	-	(663,923)	1,014,077
Heritage	61,835	-	-	17,053	-	78,888
	54,735,677	10,406,326	(138,436)	8,409,538	(4,063,769)	69,349,336

Assets subject to finance lease (Net carrying amount)

Finance leased Assets	318,285	1,014,077
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Leased assets with a book value of R 436,590 (2011:R 1 014 077) are encumbered refer to note 10. The contract of lease of vehicles is terminating 30 September 2012 and will not be renewed any further as the municipality will buy its own fleet.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

For a detailed breakdown of PPE refer to Appendix B and C.

6. Intangible assets

	2012			2011		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulate depreciation and accumulated impairment	Carrying value
Computer software, other	80,830	(41,802)	39,028	80,830	(30,425)	50,405

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	50,405	(11,377)	39,028

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	7,138	45,537	(2,270)	50,405



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Non current assets held for sale

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011
Computers	20,367	-
Motor Vehicles	605,269	-
Plant and machinery	640,815	-
	1,266,451	-

A process of disposing of unused and irreparable PPE was delayed and was only approved after the year end by Council and they were disposed thereafter. As at the reporting date assets with book value of R 1,266,451 (cost R4,726,896.10) were therefore disclosed as held for sale. On the auction held on the 14th of August the proceeds from these assets were R 1 209 600.

8. Inventories

Consumable stores	99,890	64,970
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9. Other receivables from exchange transactions

Other debtors	727,894	1,220,624
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10. VAT receivable

Value Added Tax (VAT)	3,311,653	660,908
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11. Consumer debtors

Gross balances

Rates	3,028,458	7,109,350
Electricity	1,056,828	1,542,083
Refuse	8,780,063	5,878,234
Sundry debtors	276,428	287,159
Other (old)	-	6,986,401
	13,141,777	21,803,227

Less: Provision for debt impairment

Rates	(1,662,041)	(856,660)
Electricity	(304,188)	(2,151,601)
Refuse	(4,273,970)	(1,030,312)
Market stalls rental	(2,268)	(2,268)
Other (old)	-	(6,986,401)

(6,242,467)

(11,027,242)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

11. Consumer debtors (cont...)

Net balance

Rates	1,366,417	6,252,690
Electricity	752,640	(609,518)
Refuse	4,506,093	4,847,922
Sundry debtors	274,160	284,891

6,899,310 10,775,985

Rates

Current (0- 30 days)	120,405	485,915
31 - 60 days	102,808	430,136
61 - 90 days	163,501	364,679
91 - 120 days	104,931	64,982
121 - 365 days	101,259	389,375
> 365 days	2,435,554	5,074,964

3,028,458 7,110,051

Electricity

Current (0 - 30 days)	173,516	341,608
31 - 60 days	146,605	140,130
61 - 90 days	65,084	55,788
91 - 120 days	8,095	50,698
121 - 365 days	4,500	52,476
> 365 days	659,028	829,190

1,056,828 1,469,890

Refuse

Current (0 - 30 days)	287,804	359,517
31 - 60 days	275,683	320,961
61 - 90 days	272,089	323,494
91 - 120 days	292,686	313,772
121- 365 days	290,865	296,510
> 365 days	7,359,472	4,554,913

8,778,599 6,169,167



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

11. Consumer debtors (cont...)

Sundry debtors

Current (0 - 30 days)	28,452	22,006
31 - 60 days	26,444	20,584
61 - 90 days	24,071	16,471
91 - 120 days	20,075	13,165
121 - 365 days	17,664	10,792
> 365 days	160,032	201,873
	276,738	284,891

Other (old)

> 365 days	-	6,986,401
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Summary of debtors by customer classification

Consumers

Current (0 - 30 days)	246,321	420,818
31 - 60 days	154,157	389,453
61 - 90 days	169,475	376,973
91 - 120 days	182,479	353,657
121 - 365 days	145,138	343,539
> 365 days	3,913,473	5,796,900
	4,811,043	7,681,340

Industrial/ commercial

Current (0 - 30 days)	118,055	247,774
31 - 60 days	152,015	38,059
61 - 90 days	119,815	38,490
91 - 120 days	59,594	41,039
121 - 365 days	56,750	27,776
> 365 days	714,849	444,458
	1,221,078	837,596

National and provincial government

Current (0 - 30 days)	232,864	354,022
31 - 60 days	233,063	302,094
61 - 90 days	225,293	214,042
91 - 120 days	211,724	211,525
121 - 365 days	208,164	213,725
> 365 days	5,940,188	2,963,044
	7,051,296	4,258,452

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

11. Consumer debtors (cont...)

Total

> 365 days	10,485,153	17,426,785
	10,485,153	17,426,785

Less: Provision for debt impairment	(6,217,455)	(11,023,769)
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Undefined Difference	2,631,612	4,372,969
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6,899,310	10,775,985
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Less: Provision for debt impairment

Undefined Difference	(6,242,467)	(11,027,242)
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Reconciliation of debt impairment provision

Balance at beginning of the year	11,023,769	9,342,028
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Contributions to provision	2,201,627	1,681,741
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Debt impairment written off against provision	(6,986,401)	-
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6,238,995	11,023,769
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Consumer debtors impaired

As of 30 June 2012, consumer debtors of (2011:) were impaired and provided for. The amount of the provision was as of 30 June 2012 (2011:).

The consumer debtors amounting to R 6 986 401 were fully written off on the reporting date. This relates to the amount brought forward from prior years which could not be verified and the decision was taken to write them off.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	18,236,324	17,169,626
Short term deposits	42,803,144	15,285,874
	61,039,468	32,455,500

Investments

MPCC	1,195,197	-
Small Town Rehabilitation	8,282,924	-
Incubator	2,048,324	-
Grindrod Housing A/C	59,009	-
Investment Nedbank	5,147,229	5,062,588
Investment Grindrod Bank	5,415,657	5,113,454
FNB Investment	10,112,904	-
Investment ABSA	10,541,902	5,109,831
	42,803,146	15,285,873

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

Some other conditional grants agreements require that a separate investment (call account) be opened for them so that interest can be easily identified and accrued to the grant. These being the individual investments mentioned above and the remainder of investments is made up of own cash reserves and those grants not requiring separate investments account.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Cheque Account - 405 3562 762	9,948,834	4,527,731	1,613,583	9,948,834	4,473,846	1,613,583
ABSA BANK - Cheque Account Semi Dormant 406 1817 353	-	3,938,667	47,260	-	3,938,531	48,436
ABSA BANK - Savings Account Type 914 2845 014	8,288,079	8,761,242	10,098,931	8,288,079	8,761,242	10,098,931
ABSA BANK - Account Type 916 8827 648 Closed Account	-	-	1,458	-	-	1,458
Total	18,236,913	17,227,640	11,761,232	18,236,913	17,173,619	11,762,408

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

13. Finance lease obligation

Minimum lease payments due

- within one year	412,000	891,918
- in second to fifth year inclusive	12,320	356,206

	424,320	1,248,124
less: future finance charges	(27,286)	(133,684)

Present value of minimum lease payments	397,034	1,114,440
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Present value of minimum lease payments due

- within one year	384,714	724,523
- in second to fifth year inclusive	12,320	389,917

Present value of minimum lease payments due	397,034	1,114,440
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Non current liabilities	12,320	389,917
Current liabilities	439,245	724,523

451,565	1,114,440
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Interest rates are fixed on the contract date. All lease payments escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2011: 12%).

Interest rates are fixed at the contract date. All leases escalate at inflation % p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Government Grant	23,974	23,974
Capacity Building	40,882	94,484
Corridor Development	-	1,784,115
MPCC	500,000	500,000
MFMA	105,127	105,127
Cybercadet	105,85	118,729
IDP	4,604	4,604
MIG	(291,543)	747,455
Financial System Grant	1	(345,444)
MAP	(5)	216,498
MSIG	508,809	20,376
FMG	-	9,729
Public Participation	-	(60,438)
Synergistic	245,906	245,906
Bornem grant	630,141	46,318
Rehabilitation of CBD Roads grant	7,108,78	9,000,000
Library Volunteer	7,268	5,078
Small business incubator grant	2,000,000	-
Multi Purpose Centre grant	1,146,608	-
Sportsfield grant (Isilonjane)	18,393	-
	12,154,802	12,516,511

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. Unspent conditional grants and receipts (cont...)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring fenced investment until utilised. Other grants require that a separate investment account be opened and this has been complied with.

	Opening Balance	Additions	Utilised during the year	Total
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15. Provisions

Reconciliation of provisions - 2012

Environmental rehabilitation	193,766	-	-	193,766
Leave pay provision	1,434,982	62,660	(96,020)	1,401,622
	1,628,748	62,660	96,020)	1,595,388

Reconciliation of provisions 2011

Environmental rehabilitation	-	193,766	-	193,766
Leave pay provision	1,455,967	-	(20,985)	1,434,982
	1,455,967	193,766	(20,985)	1,628,748

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10 12 years.

However in November the landfill site was permanently closed and no future use was permitted due to environmental regulations. The community participation on the project for the rehabilitation is being undertaken and the exact costs of such will be correctly identified after completion of the consultation. The leave pay provision is based on the number of days each employee has accrued at year end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.

Leave provision

The leave pay provision is based on the number of days each employee has accrued at year end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. DBSA Loan Long term portion

Refer to Appendix A for the reconciliation of external loans.

Instalments are paid half yearly on equal installments on each loan.

This loan was for the construction on municipal administration buildings and contracts are available for inspection.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011
DBSA Loan - account number 100524/2	1,436,870	2,001,341
DBSA Loan - account number 100524/3	1,045,620	1,244,243
Less - Current Portion of DBSA Loans	(789,287)	(763,099)
	1,693,203	2,482,485

17. Payables from exchange transactions

Trade payables	4,839,802	2,015,258
Collections costs	1,621	-
Accrued bonus	852,500	852,500
Other payables	72,079	52,525
Retentions Capital projects	-	360,952
	5,766,002	3,281,235

18. Consumer deposits

Electricity	90,687	90,687
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19. Revenue

Property rates	5,871,748	5,990,029
Property rates – Penalties imposed and collection charges	543,006	739,289
Service charges	11,969,381	9,456,928
Rental of facilities & equipment	454,223	526,717
Fines	160,698	280,785
Government grants & subsidies	95,388,232	63,586,658
Miscellaneous other revenue	409,134	405,616
	114,796,422	80,986,022



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

19. Revenue (cont...)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	11,969,381	9,456,928
Rental of facilities & equipment	454,223	526,717
Miscellaneous other revenue	409,134	405,616
	12,832,738	10,389,261

The amount included in revenue arising from non exchange transactions is as follows:

Taxation revenue		
Property rates	5,871,748	5,990,029
Property rates – Penalties imposed and collection charges	543,006	739,289
Fines	160,698	280,785
Transfer revenue		
Levies	95,388,232	63,586,658
	101,963,684	70,596,761

20. Property rates

Valuations

Residential	240,655,000	321,583,000
Commercial	101,422,000	231,798,000
State	489,787,000	340,706,000
Municipal	101,898,000	25,432,000
	933,762,000	919,519,000

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of (2011: %) is applied to property valuations to determine assessment rates. Rebates of % (2011: %) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 June 2011 (30 September 2009). Interest at prime plus 11% per annum (2011: %) and), is levied on rates outstanding two months after due date.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rates Policy.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

21. Service charges

Sale of electricity	8,374,613	6,222,647
Refuse removal	3,594,768	3,234,281
	11,969,381	9,456,928

22. Government grants and subsidies

Equitable share	62,778,000	47,451,442
Corridor Development Grant	1,784,115	548,384
Cybercadet Grant	224,472	663,854
Municipal Assistance Programme Grant Income	-	310,148
Financial Management Grant	1,388,999	1,196,138
Municipal System Improve Grant	230,228	734,490
Capacity Building Grant	53,603	104,649
Public Participation Income	15,000	-
Synergetic Partnership Program	-	1,544
Youth Fund	-	22,469
Municipal Governance Grant	-	576,026
Library Support grant	466,680	-
Library Volunteer Grant	15,810	6,922
Bornem Grant	31,093	101,568
Anti Corruption Strategy Grant	-	39,085
Municipal Infrastructure Grant	22,419,951	11,829,939
Sports field grant	821,607	-
CBD Roads Rehabilitation	4,891,220	-
Multi purpose community center grant	20,392	-
Urban Renewal Framework Grant	247,062	-
	95,388,232	63,586,658

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All the residents with electricity get a Free Basic Electricity monthly allowance of 50 (2011: 50), which is funded from the grant.

Grant 2

Balance unspent at beginning of year	23,974	600,000
Conditions met transferred to revenue	-	(576,026)
	23,974	23,974



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

22. Government grants and subsidies (cont...)

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 3

Balance unspent at beginning of year	94,484	199,133
Conditions met transferred to revenue	(53,602)	(104,649)
	40,882	94,484

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 4

Balance unspent at beginning of year	1,784,115	2,332,499
Conditions met transferred to revenue	(1,784,115)	(548,384)
	-	1,784,115

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 5

Balance unspent at beginning of year	500,000	00,000
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Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 6

Balance unspent at beginning of year	105,127	105,127
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Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

22. Government grants and subsidies (cont...)

Grant 7

Balance unspent at beginning of year	118,729	139,050
Current year receipts		643,533
Conditions met transferred to revenue	(12,872)	(663,854)
	105,857	118,729

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 8

Balance unspent at beginning of year	4,604	4,604
Conditions still to be met remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		

Grant 9

Balance unspent at beginning of year	747,455	(535,142)
Current year receipts	-	12,977,000
Conditions met transferred to revenue	-	(11,833,450)
Undefined Difference	(1,038,998)	139,047
	(291,543)	747,455

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 10

Balance unspent at beginning of year	(345,444)	(345,444)
Current year receipts	345,445	-
	1	(345,444)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

22. Government grants and subsidies (cont...)

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 11

Balance unspent at beginning of year	216,498	526,640
Conditions met transferred to revenue	(216,503)	(310,142)
	(5)	216,498

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 12

Balance unspent at beginning of year	20,376	4,867
Current year receipts	790,000	750,000
Conditions met transferred to revenue	(810,376)	(734,491)
Undefined Difference	508,809	-
	508,809	20,376

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 13

Balance unspent at beginning of year	-	(110,100)
Undefined Difference	-	110,100
	-	-

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

22. Government grants and subsidies (cont...)

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 14

Balance unspent at beginning of year	9,729	1,638
Current year receipts	1,500,000	1,250,000
Conditions met transferred to revenue	(1,509,729)	(1,241,909)
	-	9,729

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 15

Balance unspent at beginning of year	(60,438)	(60,438)
Current year receipts	60,438	-
	-	(60,438)

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Grant 16

Balance unspent at beginning of year	245,906	247,450
Conditions met transferred to revenue	-	(1,544)
	245,906	245,906

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

22. Government grants and subsidies (cont...)

Grant 17

Conditions met transferred to revenue	-	(22,469)
Undefined Difference	-	22,469
	-	-

Conditions still to be met remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Other income

24. General expenses

Advertising	208,742	102,073
Auditors remuneration	1,695,124	1,458,316
Bank charges	79,636	69,697
Cleaning	117,522	-
Consulting and professional fees	1,475,141	1,633,085
Consumables	272,702	742,136
Donations	1,500	-
Entertainment	23,148	50,995
Fines and penalties	30,422	28,976
Hire	3,932	-
Insurance	560,938	400,765
Youth development	1,279,335	476,233
IT expenses	85,545	51,690
Lease rentals on operating lease	101,865	-
Marketing	93,992	55,532
Promotions and sponsorships	403,662	-
Motor vehicle expenses	40,095	26,659
Fuel and oil	867,320	484,934
Printing and stationery	320,198	323,094
Community Development Projects	1,659,359	1,019,157
Software expenses	358,486	245,966
Subscriptions and membership fees	400,000	147,835
Telephone and fax	433,644	364,044
Training	283,576	38,873
Travel - local	1,025,702	293,123
Electricity	420,595	167,159
Uniforms	122,457	146,110
Tourism development	104,500	55,000
Audit Committee	59,773	24,843
Indigent (FBE)	1,395,222	1,041,598
VAT adjustment	-	(880,697)
Other expenses	9,007	12,139
Environmental provisions	-	15,999

13,933,140

8,595,334



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

25. Employee related costs

Basic	12,717,005	12,217,958
Bonus	874,358	993,076
Medical aid company contributions	606,830	540,873
UIF	115,530	114,184
SDL	150,759	144,692
Leave pay provision charge	62,661	72,021
Group Life Insurance	8,787	11,070
Post employment benefits Pension Defined contribution plan	1,398,194	1,408,208
Overtime payments	69,240	67,546
Car allowance	886,876	1,085,150
Housing benefits and allowances	350,812	300,286
Telephone and Cellphone Allowance	60,028	59,462
	17,301,080	17,014,526

Remuneration of municipal manager

Annual Remuneration	782,940	782,940
Contributions to UIF, Medical and Pension Funds	9,079	9,083
Cellphone Allowance	12,000	12,000
	804,019	804,023

Remuneration of chief finance officer

Annual Remuneration	689,547	636,940
Contributions to UIF, Medical and Pension Funds	7,920	7,356
Cellphone Allowance	6,000	6,000
	703,467	650,296

Corporate and human resources (corporate services)

Annual Remuneration	621,147	621,147
Contributions to UIF, Medical and Pension Funds	7,570	7,570
Cellphone Allowances	6,000	6,000
	634,717	634,717



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

25. Employee related costs (cont..)

Development planning and Housing

Annual Remuneration	621,147	531,615
Contributions to UIF, Medical and Pension Funds	7,621	5,995
Cellphone Allowance	6,000	6,000

634,768 543,610

Technical Services

Annual Remuneration	621,147	614,367
Contributions to UIF, Medical and Pension Funds	7,242	7,112
Cellphone Allowance	6,000	6,000

634,389 627,479

26. Remuneration of councillors

Executive Mayor	326,869	313,268
Deputy Executive Mayor	263,845	253,595
Mayoral Committee Members	992,356	970,721
Speaker	263,845	254,097
Councillors	4,910,116	4,174,079
Contributions to UIF and SDL	38,292	84,987

6,795,323 6,050,747

In kind benefits

The Mayor, Deputy Mayor, Speaker are part time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor have the use of Council owned vehicle for official duties.

The Mayor has one full time driver.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

27. Debt impairment

Provision for bad debts	2,201,627	1,685,214
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28. Investment revenue

Interest revenue Bank	2,255,249	528,637
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29. Depreciation and amortisation

Property, plant and equipment	4,803,193	4,130,426
Intangible assets	11,377	2,270

	4,814,570	4,132,696
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30. Finance costs

Non current borrowings	78,171	91,303
Finance leases	113,771	181,132

	191,942	272,435
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31. Auditors' remuneration

Fees	1,695,124	1,458,316
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32. Contracted services

Specialist Services	1,101,377	1,044,479
Security	1,414,916	520,992

	2,516,293	1,565,471
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

33. Grants and subsidies paid

Municipal Systems Improvement Grant	318,462	660,463
Cybercadet Grant	221,593	656,815
Corridor Development Grant	-	481,100
Synergistic Partnership	-	1,544
Management Assistance Program	359,367	278,415
Municipal Finance Management Grant	1,430,616	958,022
Bornem Grant	68,587	96,363
Library grant	468,970	-
Youth Fund Grant (NYDA)	-	22,469
Municipal Governance Grant	-	576,026
Anti Corruption Strategy	-	39,085
Capacity Building	-	138,817
MPCC Grant expenditure	20,392	-
	2,887,987	3,909,119

34. Bulk purchases

Electricity	11,552,508	9,129,916
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35. Cash generated from operations

Surplus	54,351,580	28,593,423
Adjustments for:		
Depreciation and amortisation	4,814,570	4,132,696
Gain on sale of assets and liabilities	-	138,511
Fair value adjustments	-	(8,271,107)
Finance costs Finance leases	113,771	181,132
Debt impairment	2,201,627	1,685,214
Movements in provisions	33,360	172,781
Prior year adjustment	624,089	7,152,876
Changes in working capital:		
Inventories	(34,920)	146,139
Other receivables from exchange transactions	492,730	(676,183)
Consumer debtors	1,675,048	(5,788,898)
Payables from exchange transactions	2,484,767	(2,235,328)
VAT	(2,650,745)	123,923
Unspent conditional grants and receipts	(361,709)	8,242,471
Consumer deposits	-	5,014
	63,677,448	33,602,664



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

36. Commitments

Authorised capital expenditure

Already contracted

• Property, plant and equipment	-	1,735,256
• Property, plant and equipment (Work in progress)	29,880,842	28,750,505
	29,880,842	30,485,761

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, unspent grants, existing cash resources, funds internally generated, etc.

37. Contingencies

The Municipality has the following contingent liabilities:

A middle income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel (there are also various cases linked to this case, which maybe treated as one which were lodged by prospective buyers), exact amounts cannot be determined because the developer has been refusing to handover all the information to the municipality.

Litigation is in the process against the municipality relating to a dispute with an ex staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litigation.

The ex staff member has referred an application for review to the labour court claiming he was unfairly dismissed. The matter is still under litigation.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litigation.

A cession holder is co suing the municipality for the unpaid cession that was entered into with a contractor appointed by the municipality for an amount of R 170 000, the municipality is defending this claim as the contractor never submitted the notice to pay the cession holder.

38. Related parties

The salaries of members of key management and councilors are disclosed under the employee costs note.

Related party transactions

The municipality did not have any related party transactions.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

39. Prior period errors

Construction cost related to an upgrade of taxi rank was incorrectly treated as operational expenses under the Corridor grant instead of being capitalised.

Statement of financial position

Increase in Property, plant and equipment	-	413,316
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Statement of Financial Performance

Corridor grant expenses	-	413,316
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40. Comparative figures

The reporting period is longer/shorter than a year, therefore comparative amounts are not comparable to the current balances.

Certain comparative figures have been reclassified.

The provision for landfill site rehabilitation was previously classified as long term, however when the site was closed before the estimated useful life the whole provision was changed to short term as the site will be rehabilitated in the short term.

The effects of the reclassification are as follows:

Statement of financial position

Decrease in Long term provisions	-	193,766
Increase in short term provisions	-	193,766

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: the current global economic crisis may have effect whereby businesses closes and fail to pay their debts due, also the unemployment levels will increase and more debts maybe written off.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

43. Events after the reporting date

Disclose for each material category of non adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

44. Unauthorised expenditure

Unauthorised expenditure	377,100	-
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The unauthorised expenditure is resulting from the over spending of votes which condonation will be requested from the Council.

45. Fruitless and wasteful expenditure

Interest paid	30,436	19,974
overdue payables	-	289,652
SARS penalties on late payments	-	-
30,436	309,626	

The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss.

46. Irregular expenditure

Add: Irregular Expenditure current year	3,101,978	-
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Details of irregular expenditure – current year

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid current year	400,000	134,395
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Audit fees

Current year subscription / fee	940,922	913,073
Amount paid current year	(940,922)	(913,073)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

47. Additional disclosure in terms of Municipal Finance Management Act (cont...)

PAYE and UIF

Current year deductions and council contributions	3,524,383	3,449,567
Amount paid current year	(3,524,383)	(3,449,567)

-

-

Pension and Medical Aid Deductions

Current year deductions and council contributions	2,797,232	3,378,744
Amount paid current year	(2,797,232)	(3,378,744)

-

-

VAT

VAT receivable	3,311,653	660,908
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councilor IT Nhlebela	738	2,287	3,025
Councilor IT Nhlebela	747	2,606	3,353
Councilor IT Nhlebela	731	2,056	2,787
Councilor LS Holfman	342	-	342
	2,558	6,949	9,507

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor IT Nhlebela	765	5,108	5,873
Councillor IT Nhlebela	765	5,111	5,876
Councillor IT Nhlebela	758	4,687	5,445
	2,288	14,906	17,194

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012	2011
Name of company	Carrying amount 2012	Carrying amount 2011

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

49. Material Losses Electricity

	kWh	R
Electricity losses		
Purchased	17,883,398	11,598,974
Sold	(6,617,080)	(8,862,220)
Own consumption	(106,865)	(89,985)
Free Basic Electricity	(44,800)	(46,467)
	11,114,653	2,600,302

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factors are illegal connections and tampering.

50. Indigent support

Free Basic Electricity

Indigent Support(FBE)	1,395,222	1,041,598
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All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Households amounting to 779 are subsidized for alternative energy per month on the solar panels projects for those areas without electricity as yet, installations to other households is proceeding.

Electricity customers serviced by our licence also get a 50kWh every month. The management has been tasked to develop a policy where only deserving households benefits in all these rather than the current blanket approach.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

51. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (l.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	9,814,409	9,814,409	9,814,409	6,414,754	3,399,655	65%	65%
Service charges	15,312,084	15,312,084	15,312,084	11,969,381	3,342,703	78%	78%
Investment revenue	432,000	432,000	432,000	2,255,249	(1,823,249)	522%	522%
Transfers recognised							
operational	65,766,600	65,766,600	65,766,600	66,988,000	(1,221,400)	102%	102%
Other own revenue	1,191,057	1,191,057	1,191,057	1,095,884	95,173	92%	92%
Total revenue (excluding capital transfers and contributions)	92,516,150	92,516,150	92,516,150	88,723,268	3,792,882	96%	96%
Employee costs	(23,487,427)	(23,487,427)	(23,487,427)	(17,301,080)	(6,186,347)	74%	74%
Remuneration of councillors	(7,337,610)	(7,337,610)	(7,337,610)	(6,795,323)	(542,287)	93%	93%
Debt impairment	(2,500,000)	(2,500,000)	(2,500,000)	(2,201,627)	(298,373)	88%	88%
Depreciation and asset impairment	(4,900,000)	(4,900,000)	(4,900,000)	(4,814,570)	(85,430)	98%	98%
Finance charges	(290,692)	(290,692)	(290,692)	(191,942)	(98,750)	66%	66%
Bulk purchases - electricity	(11,676,892)	(11,676,892)	(11,676,892)	(11,552,508)	(124,384)	99%	99%
Transfers and grants	(24,000,600)	(24,000,600)	(24,000,600)	(2,887,987)	(21,112,613)	12%	12%
Other expenditure	(29,416,723)	(29,416,723)	(29,416,723)	(17,026,883)	(12,389,840)	58%	58%
Total expenditure	(103,609,944)	(103,609,944)	(103,609,944)	(62,771,920)	(40,838,024)	61%	61%
Surplus/(Deficit)	(11,093,794)	(11,093,794)	11,093,794	25,951,348	(37,045,142)	(234)%	(234)%



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

51. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (l.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised capital	30,699,000	-	-	28,400,232	(28,400,232)	DIV/0%	93%
Surplus (Deficit) after capital transfers and contributions	19,605,206	(11,093,794)	(11,093,794)	54,351,580	(65,445,374)	(490)%	277%
Surplus/(Deficit) for the year	19,605,206	(11,093,794)	(11,093,794)	54,351,580	(65,445,374)	(490)%	277%
Capital expenditure and funds sources							
Total capital expenditure	24,500,000	-	-	21,265,157	(21,265,157)	DIV/0%	87%
Sources of capital funds							
Transfers recognised capital	17,477,000	-	-	-	-	DIV/0%	- %
Internally generated funds	23,000	-	-	-	-	DIV/0%	- %
Total sources of capital funds	17,500,000	-	-	-	-	DIV/0%	- %

APPENDIX A

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA Loan @ 1%	December 2014	2,001,341	-	564,471	1,436,870	6,330,266	-
DBSA Loan @ 5%	January 2016	1,244,243	-	198,623	1,045,620	1,604,137	-
		3,245,584	-	763,094	2,482,490	7,934,403	-
Total external loans		3,245,584	-	763,094	2,482,490	7,934,403	-



APPENDIX B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation					Accumulated depreciation						
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other charges, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation loss	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings												
Land (Separate for AFS purposes)	13,270,852	-	-	-	-	-	13,270,852	-	-	-	-	13,270,852
Dwellings	2,147,549	-	-	-	-	-	2,147,549	(84,871)	-	-	(80,779)	1,981,899
Buildings - non residential (Separate for AFS purposes)	22,166,128	805,256	-	-	-	-	22,971,38	(3,498,616)	-	-	(806,381)	18,666,387
Buildings Assets under construction (Separate for AFS purposes)	1,504,748	4,017,377	-	(808,756)	-	-	4,713,369	-	-	-	-	4,713,369
	39,089,277	4,822,633	-	(808,756)	-	-	43,103,154	(3,583,487)	-	(887,160)	-	38,632,507
Infrastructure												
Roads, Pavements & Bridges	23,149,808	9,449,913	-	-	-	-	32,599,721	(8,913,080)	-	-	(1,727,834)	21,958,807
Electricity	7,650,379	-	-	-	-	-	7,650,379	(4,816,764)	-	-	(253,338)	2,580,277
Roads Under Construction	8,084,372	22,630,733	-	(9,449,913)	-	-	21,265,192	-	-	-	-	21,265,192
	38,884,559	32,080,646	-	(9,449,913)	-	-	61,515,292	(13,729,844)	-	(1,981,172)	-	45,804,276
Community Assets												
Refuse sites	1,800,465	-	-	-	-	-	1,800,465	(1,096,561)	-	-	(33,032)	670,872
Cemeteries	142,712	-	-	-	-	-	142,712	(30,756)	-	-	(6,464)	105,492
	1,943,177	-	-	-	-	-	1,943,177	(1,127,317)	-	(39,496)	-	776,364

APPENDIX B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation					
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation loss	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Jewellery	78,888	-	-	-	-	-	78,888	-	-	-	-	78,888
78,888						78,888					78,888	
Other assets												
Motor Vehicles	3,331,456	3,061,937	(2,696,547)	-	-	-	3,696,846	(2,430,910)	2,091,278	-	(254,518)	3,102,696
Plant & equipment	6,040,759	21,298	(1,899,165)	-	-	-	4,162,892	(2,000,804)	1,280,434	-	(331,095)	3,111,427
Computer Equipment	995,458	299,486	(89,557)	-	-	-	1,205,387	(456,349)	67,472	-	(554,152)	651,235
Office Equipment	1,893,033	200,816	(41,628)	-	-	-	2,052,221	(593,384)	21,261	-	(830,801)	1,221,420
Bins and Containers	5,594	463,400	-	-	-	-	468,994	(4,847)	-	-	(6,235)	462,759
Other Assets: Leased	1,996,212	295,100	(197,800)	-	-	-	2,093,512	(982,135)	56,682	-	(1,656,921)	436,591
Assets Held for sale	4,726,896	-	-	-	-	-	4,726,896	(3,316,953)	-	-	(143,165)	1,266,778
	18,989,408	4,342,037	(4,924,697)	-	-	-	18,406,748	(9,785,382)	3,517,127	-	(8,153,842)	10,252,906
Total property plant and equipment												
Land and buildings	39,089,277	4,822,633	-	808,756	-	-	43,103,154	(3,583,487)	-	-	(887,160)	38,632,507
Infrastructure	38,884,559	32,080,646	-	(9,449,913)	-	-	61,515,292	(13,729,844)	-	-	(1,981,172)	45,804,276
Community Assets	1,943,177	-	-	-	-	-	1,943,177	(1,127,317)	-	-	(39,496)	776,364
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	78,888
Other assets	18,989,408	4,342,037	(4,924,697)	-	-	-	18,406,748	(9,785,382)	3,517,127	-	(8,153,842)	10,252,906
	98,985,309	41,245,316	(4,924,697)	(10,258,669)	-	-	125,047,259	(28,226,030)	3,517,127	-	(29,502,318)	95,544,941
Intangible assets												
Computers: software & programming	80,830	-	-	-	-	-	80,830	(30,425)	-	-	(11,377)	39,028
	80,830	-	-	-	-	-	80,830	(30,425)	-	-	(11,377)	39,028
Investment properties												
Investment property	1,999,640	-	-	-	-	-	1,999,640	(705,377)	-	-	(66,605)	1,227,658
	1,999,640	-	-	-	-	-	1,999,640	(705,377)	-	-	(771,982)	1,227,658
Total												
Land and buildings	39,089,277	4,822,633	-	(808,756)	-	-	43,103,154	(3,583,487)	-	-	(887,160)	38,632,507
Infrastructure	38,884,559	32,080,646	-	(9,449,913)	-	-	61,515,292	(13,729,844)	-	-	(1,981,172)	45,804,276
Community Assets	1,943,177	-	-	-	-	-	1,943,177	(1,127,317)	-	-	(39,496)	776,364
Heritage assets	78,888	-	-	-	-	-	78,888	-	-	-	-	78,888
Other assets	8,989,408	4,342,037	(4,924,697)	-	-	-	18,406,748	(9,785,382)	3,517,127	-	(8,153,842)	10,252,906
Intangible assets	80,830	-	-	-	-	-	80,830	(30,425)	-	-	(11,377)	39,028
Investment properties	1,999,640	-	-	-	-	-	1,999,640	(705,377)	-	-	(66,605)	1,227,658
	101,065,779	41,245,316	(4,924,697)	(10,258,669)	-	-	127,127,729	(28,961,832)	3,517,127	-	(30,316,102)	96,811,627



APPENDIX C

Segmental analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation loss	Closing Balance	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality													
Executive & Council/Mayor and Council	674,509	433,297	-	-	-	-	1,107,806	(112,757)	-	-	(117,879)	(230,636)	877,170
Finance	3,715,106	50,387	(138,153)	-	-	-	3,627,340	(458,601)	102,271	-	(212,125)	(568,455)	3,058,885
Municipal Manager	18,039,914	8,341,205	(1,410,356)	-	-	-	24,970,763	(4,602,685)	291,407	-	(613,413)	(4,924,691)	20,046,072
Planning and Development/ Economic Development/Plan	299,782	479,180	(881)	-	-	-	778,081	(140,130)	338	-	(74,338)	(214,130)	563,951
Corporate Services	15,457,956	1,974,374	(233,509)	-	-	-	17,198,821	(2,813,316)	183,253	-	(1,094,693)	(3,724,756)	13,474,065
Works	62,878,512	29,694,171	(13,400,466)	-	-	-	79,172,217	(20,834,342)	2,939,858	-	(2,758,949)	(20,653,433)	58,518,784
Total	101,065,779	40,972,614	(15,183,365)	-	-	-	126,855,028	(28,961,831)	3,517,127	-	(4,871,397)	(30,316,101)	96,538,927
Municipality													
	101,065,779	40,972,614	(15,183,365)	-	-	-	126,855,028	(28,961,831)	3,517,127	-	(4,871,397)	(30,316,101)	96,538,927
Total	101,065,779	40,972,614	(15,183,365)	-	-	-	126,855,028	(28,961,831)	3,517,127	-	(4,871,397)	(30,316,101)	96,538,927



APPENDIX F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly receipts			Quarterly Expenditure			Grants and Subsidies delayed / withheld			Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	Mar	June	Sep	Dec	Mar	June	Sep			
Municipal Governance													
Grant	KZN COGTA	-	-	-	-	-	-	-	-	-	-	-	Yes
Capacity Building	KZN COGTA	-	-	-	53,603	-	-	-	-	-	-	-	Yes
MFMA	KZN COGTA	-	-	-	-	-	-	-	-	-	-	-	Yes
Corridor Development	KZN COGTA	-	-	-	884,781	899,333	-	-	-	-	-	-	Yes
MPCC	KZN COGTA	-	1,167,000	-	-	-	-	-	-	20,392	-	-	Yes
Cybercadet	KZN Arts & Culture (Libraries)	-	-	-	211,600	54,558	57,438	57,918	54,558	-	-	-	Yes
Anti corruption strategy Grant	KZN COGTA	-	-	-	-	-	-	-	-	-	-	-	Yes
Municipal Infrastructure													
Grant (MIG)	COGTA National	13,835,000	-	-	7,185,000	5,951,664	4,618,298	7,114,551	4,374,486	-	-	-	Yes
Financial System Grant	KZN COGTA	-	-	-	-	-	-	345,445	-	-	-	-	Yes
Management Assistance													
Program	KZN COGTA	-	-	-	-	-	216,502	-	-	-	-	-	Yes
Municipal Systems													
Improvement Grant	COGTA National	790,000	4,100	-	-	69,811	123,995	40,200	71,660	-	-	-	Yes
Housing	KZN Housing	-	-	-	-	-	-	-	-	-	-	-	Yes
Financial Management													
Grant	National Treasury	1,500,000	-	-	8,098	468,020	550,481	288,549	210,776	-	-	-	Yes
Synergistic Partnership													
Grant	KZN COGTA	-	-	-	-	-	-	-	-	-	-	-	Yes



APPENDIX F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	Mar	June	Sep	Dec	Mar	June	Sep	Dec	Mar	June			
Public Participation Grant	KZN COGTA	-	-	-	-	-	75,438	-	-	-	-	-	-	-	-	Yes
Youth Fund (Umsobomvu/ NYDA)	NYDA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes
CBD Roass Rehabilitation	KZN COGTA	-	-	3,000,000	-	-	1,133,579	909,491	2,848,150	-	-	-	-	-	-	Yes
Bornem Grant	Bornem (Belgium)	-	-	26,945	587,971	-	9,939	16,774	4,380	-	-	-	-	-	-	Yes
Library Volunteer	KZN Arts & Culture (Libraries)	-	18,000	-	-	3,060	3,570	4,590	4,590	-	-	-	-	-	-	Yes
Sportfields (Isilinjane)	KZN Sport	420,000	-	420,000	-	-	418,596	-	344,408	-	-	-	-	-	-	Yes
Library Support		466,680	-	-	-	156,866	138,393	139,202	32,220	-	-	-	-	-	-	Yes
Incubator Grant	KZN COGTA	-	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	Yes
		17,011,680	3,189,100	10,631,945	807,669	7,642,363	8,591,007	8,571,275	7,965,620	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



annexure b

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON NQUTHU MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Nquthu Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



annexure b

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nquthu Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Irregular expenditure

8. As disclosed in note 46 to the financial statements, the municipality incurred irregular expenditure of R3,101million due to not following the Municipal Supply Chain Management procedures.

Significant uncertainties

9. As disclosed in note 37 to the financial statements, the municipality is a defendant in four lawsuits, of which the timing and outcome of the litigations cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Material losses

10. As disclosed in note 49 to the financial statements, the municipality incurred material electricity distribution losses amounting to R2,600 million (11,114 million kilowatt hours) during the year.

Material impairments

11. As disclosed in note 11 to the financial statements, the municipality provided for an impairment allowance of R6,242 million on consumer debtors as the recoverability of these amounts were considered doubtful.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

15. I am unable to report findings on the usefulness and reliability of the annual performance report, as it was not prepared, as required by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and 121(3)(c) of the MFMA.



annexure b

Compliance with laws and regulations

16. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Procurement and contract management

17. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, contrary to the requirements of regulation 13(c) of the Local Government: Municipal Supply Chain Management Regulations of 30 May 2005.

Annual financial statements, performance and annual report

18. The accounting officer did not make public the council's oversight report on the 2010-2011 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
19. The annual performance report for the financial year under review was not prepared, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.
20. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Conditional grants

21. Monthly budget statements did not include the extent of compliance with conditions of the allocation, as required by section 12(2)(b) of the DoRA.

Audit committee

22. The audit committee did not advise council, the accounting officer and management staff on matters relating to risk management and accounting policies, as required by section 166 of the MFMA.

Internal audit

23. Internal audit did not advise the accounting officer or report to the audit committee, on matters relating to accounting procedures and loss control, as required by section 165 of the MFMA.

Budgets

24. Expenditure was incurred in excess of the amounts provided for in certain votes of the approved budget, contrary to the requirements of section 15 of the MFMA.

Strategic planning and performance management

25. The municipality did not comply with section 41 of the MSA, as it did not:
- set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan.



annexure b

- set measurable performance targets with regard to each development priority and objective.
- monitor performance, with regard to each of those development priorities and objectives and against the key performance indicators and targets set.
- measure and review performance at least once per year, with regard to each of those development priorities and objectives and against the key performance indicators and targets set.
- take steps to improve performance with regard to those development priorities and objectives where performance targets are not met.

INTERNAL CONTROL

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

27. Management did not exercise effective oversight over policies and procedures regarding budgets, supply chain and performance management to enable and support the understanding and execution of internal control objectives, processes and responsibilities.

Financial and performance management

28. An effective system for monitoring compliance has not been established to prevent non-compliance with laws and regulations.
29. Management did not implement effective controls over the preparation, review and reconciliation of financial records as well as the reporting of performance against predetermined objectives. Consequently, internal controls were unable to prevent and detect material misstatements in the annual financial statements.

Governance

30. The audit committee and internal audit did not completely fulfil their responsibilities for the year.

Auditor-General

Pietermaritzburg

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t
	The municipal council did not fulfill its responsibility and duty to ensure that an audit committee has carried out its oversight function for the year	AO	Urgent steps must be taken to formalize processes in order to attain compliance, primarily arising from the fact that this committee is critical for ensuring and enhancing the integrity and credibility of oversight and performance reporting.			
	Financial management has not implemented adequate controls to ensure and monitor compliance with section 12(4) of the DORA.	CFO	Financial management should report on a monthly basis to the provincial and national treasury on the extent of compliance with conditions of the grant allocation requirements	All users of the grants have been notified to report on the extent of compliance with grants received as per DORA	Ongoing	
	The accounting officer has not ensured compliance with section 129(3) of the MFMA.	AO	The accounting officer should ensure that the oversight report on the annual report is made public in accordance with section 129(3) of the MFMA.	2011-2012 Oversight Report will be made public	March 2013	
	The municipal council did not fulfill its responsibility to ensure that internal audit has carried out its duties for the year.	AO	Urgent steps must be taken to formalize processes in order ensure that internal audit adequately and effectively carries out its duties.			



annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t
	An adjustment budget to cater for additional revenue and expenditure was not prepared by the municipality as required by the MFMA.	MANCO	An adjustments budget to cater for additional revenue and expenditure should be prepared by the municipality to prevent unauthorised expenditure.	All votes overspent in 11/12 will be condoned during the approval of the annual report	31 January 2013	
	The accounting officer did not ensure that appropriate policies and procedures were adhered to in order to ensure compliance with MSCM. Declarations of interest	CFO	The SCM Manager should design and implement systems and procedures to ensure strict compliance with Municipal Supply Chain Management Regulations.	Declarations of interest are now filled in all instances	Ongoing	
	The IDP Manager position is vacant	AO	The IDP Manager vacancy should be filled.	Post filled as at 31 December 2012		
	Appropriate policies, procedures and internal controls do not exist to ensure compliance with relevant legislation	CFO	VAT returns should be submitted on time to comply with legislation.	All VAT returns are submitted on time as we have our own password now	Ongoing	
	The accounting officer has not ensured compliance with section 22 of the MFMA.	CFO	The accounting officer should ensure that all budget returns forms and annual returns are submitted.	These returns were submitted and proof submitted to auditors	Ongoing	
	Financial management has not implemented adequate controls to ensure and monitor compliance with MSCM regulation 29(2).	CFO	Bid adjudication meetings should take place with four delegated officials present and an appropriate SCM official should attend all adjudication meetings.	In terms of the regulations if the quorum meets the meeting can continue, we will ensure that the no meeting sits without	Ongoing	

annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t
	The accounting officer did not ensure that appropriate policies, procedures, techniques, and mechanisms exist with respect to each of the entity's activities in line with the requirements of the applicable legislation. (In service of state suppliers)	CFO	The SCM Manager should design and implement systems and procedures to ensure strict compliance with Municipal Supply Chain Management Regulations.	These declarations are filled but it has been proven that not all are done in good faith. We will notify NT of all those who declared falsely.	Ongoing	
	The municipality does not have a financial strategy that defines sound financial management and expenditure control and means of increasing revenues and external funding for the municipality.	CFO	The accounting officer must take all steps to ensure that the municipality has a financial strategy in place that complies with the MSA and MP&PMR.	Appointment of service provider under way.	31 March 2013	
	The IDP did not contain key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives.		The IDP should contain key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives.	Key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives will be incorporated the next review of IDP.	June 2013	
	The IDP does not contain a budget allocation per development priority/objective.		The IDP should include budget allocations for each development priority/objective in the IDP.	Budget allocations for each development priority/objective in the IDP will be attended to during next review of IDP	June 2013	



annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t
	<p>The fixed asset register of the municipality does not comply with GRAP 17 as the following minimum criteria are missing:</p> <ol style="list-style-type: none"> 1. Method of financing is not reflected for all assets on the asset register. 2. The depreciation method is not reflected in the asset register. 3. No reconciliation is performed between the asset 4. A list of assets that are not working is not maintained by municipality. 5. No controls in place to identify and record assets that are not in working condition. 6. The fixed asset register does not reconcile to appendix B and the general ledger 	CFO	<p>The accounting officer should ensure that all necessary steps are taken to ensure that the fixed asset register is in compliance with applicable accounting standards, and other legislated requirements.</p>	<p>1. FAR has been updated to reflect these but it must be noted that these are not compulsory but optional for the municipality to do for GRAP</p> <p>2. All HODs have been informed that they must register and general ledger report any assets that are not in working conditions as they are the custodians of such</p>	Ongoing	
	<p>Financial management does not perform regular reconciliations between the fixed asset register and trial balance and periodically between the fixed asset register and the financial statements.</p>	CFO	<p>Financial management should ensure that the fixed asset register is regularly reconciled.</p>	<p>This is now performed every month.</p>	Ongoing	

annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t
	Financial management does not perform regular reconciliations between the fixed asset register and accounting records.	CFO	Financial management should ensure that the fixed asset register is regularly reconciled.	This is now performed every month.	Ongoing	
	Financial management does not perform regular reconciliations between recorded inventory and physical inventory on hand.	CFO	Frequent reconciliations should be performed between physical and theoretical inventory by financial management.	This is now performed every month.	Ongoing	
	Financial management does not perform regular reconciliations between recorded inventory and physical inventory on hand.	CFO	Frequent reconciliations should be performed between physical and theoretical inventory.	This is now performed every month.	Ongoing	
	Financial management does not regularly perform VAT reconciliations to ensure the accuracy of the VAT balance.	CFO	Financial management should perform regular VAT reconciliations.	This is now performed every month.	Ongoing	
	Financial management does not perform regular reconciliations between the debtors age analysis and the accounting records.	CFO	Financial management should perform regular reconciliations to ensure the debtors age analysis agrees to the financial statements.	This is now performed every month.	Ongoing	
	Financial management is not monitoring the registration of indigent debtors.		Financial management must ensure that there are internal controls in place to ensure the approval and monitoring of indigent debtors.	Revisit indigent debtors to capture their data		



annexure c

ACTION PLAN FOR MANAGEMENT REPORT (2011/2012)

Ref.	Finding/deficiency	Responsible official	Response/Action	Progress on report date	Target Date	Follow up
Year?						N e x t

Management does not have policies and procedures in place to independently review activities of privileged users.

Management must implement a formalised policy to regularly review the activities of privileged users.

User privileged will be review

Management has not implemented internal controls to review access rights.

Management should implement a formal policy to regularly review user access rights.

User access right of the system will be reviewed

IT management has not implemented internal controls over vendor access during program changes.

IT management should implement internal controls to restrict vendor access to the live environment.

Controls will be developed on restrict vendor access on the live system

annexure d

OFFICE OF THE MAYOR

MAYOR
E.N Molefe

Deputy Mayor
S.M Kunene

EXCO Councillors
N.M Zungu
V.B Ntombela
N.S Mkhize
M.L Dlamini
S.R Nyamane

OFFICE OF THE SPEAKER

SPEAKER
V. B Ntombela

Ward Councillors

Ward 1 Cllr S Ndlovu
Ward 2 Cllr R.S Langa
Ward 3 Cllr E.M Mkhwanazi
Ward 4 Cllr M.E Mnguni
Ward 5 Cllr G.A.N Buthelezii
Ward 6 Cllr L.S Sangweni
Ward 7 Cllr S.M Shabangu
Ward 8 Cllr S.M Buthelezi
Ward 9 Cllr M.L Dlamini – Exco Member
Ward 10 Cllr T.W Madondo
Ward 11 Cllr S.M Kunene – Deputy Mayor
Ward 12 Cllr T.M Ndlovu
Ward 13 Cllr K.S Selepe
Ward 14 Cllr C.S Mzizi
Ward 15 Cllr R.A Ndlovu
Ward 16 Cllr H.M Moloi
Ward 17 Cllr S.M.C Zikode

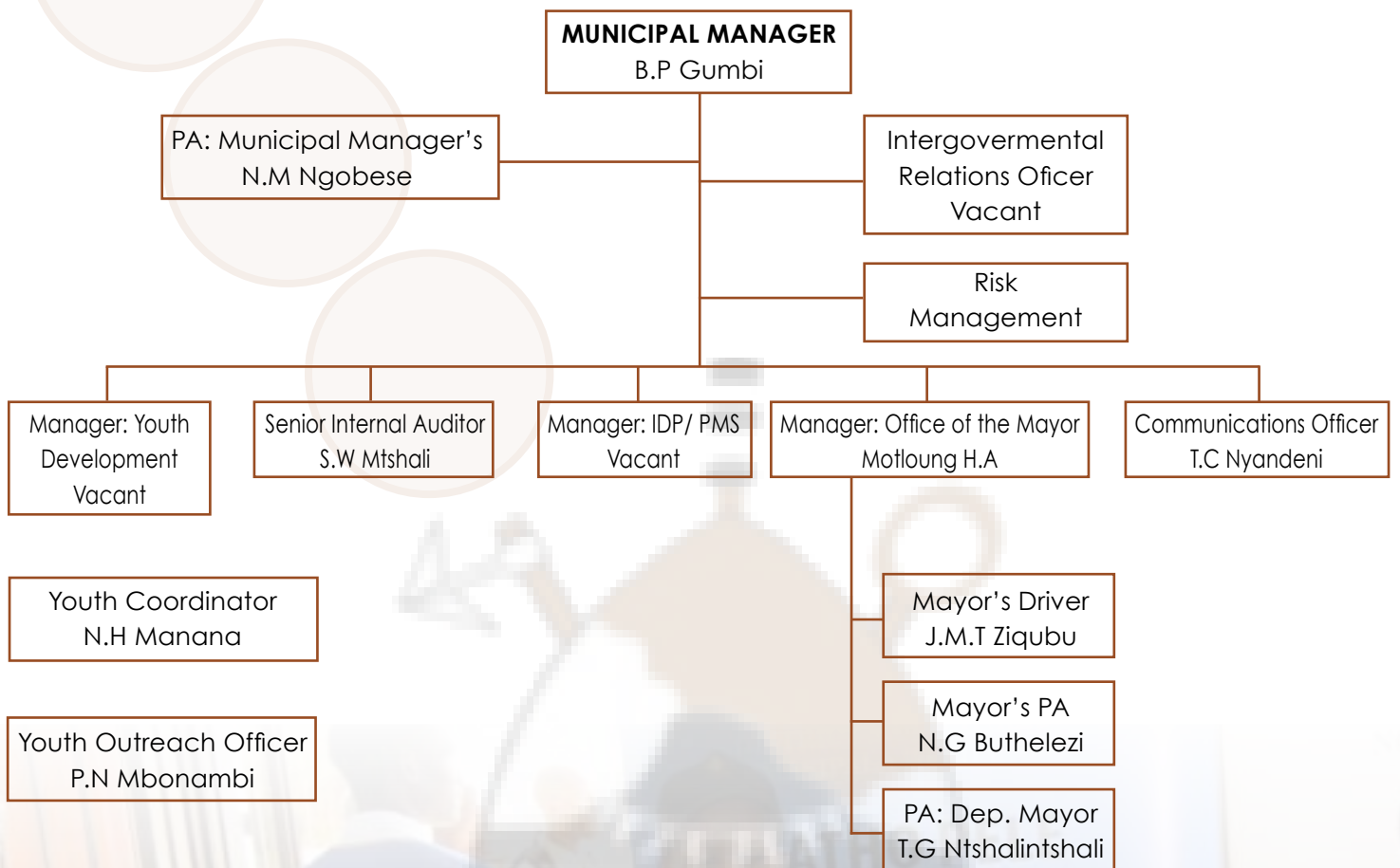
PR Councillors

PR Cllr S.P Mazibuko
PR Cllr C.T Buthelezi
PR Cllr E.N Molefe - Mayor
PR Cllr V.B Ntombela - Speaker
PR Cllr L.S Hoffman
PR Cllr N.S Mhize - Exco
PR Cllr E.T Zulu
PR Cllr B.I Zwane
PR Cllr P.P Khoza
PR Cllr N.M Zungu - Exco
PR Cllr F.A Hlatshwayo
PR Cllr J.C Ndlovu
PR Cllr G.H Buthelezi
PR Cllr I.T Nhlebela
PR S.R Nyamane - Exco
PR Cllr Z.G Ngcobo



annexure d

OFFICE OF THE MUNICIPAL MANAGER



annexure d

DEVELOPMENT PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

DEPARTMENT PLANNING, ECONOMIC DEVELOPMENT, HOUSING AND LAND ADMINISTRATION

M.B Jiyane

PA: Director Planning
T.N Mbatha

Manager: LED & Tourism
Vacant

GIS Manager
M.M Ndhlovu

Planner Development
Z.S.P Sangweni

Building Inspector
D.M Sibisi

Manager: Housing &
Land Administration
C.M. Zulu

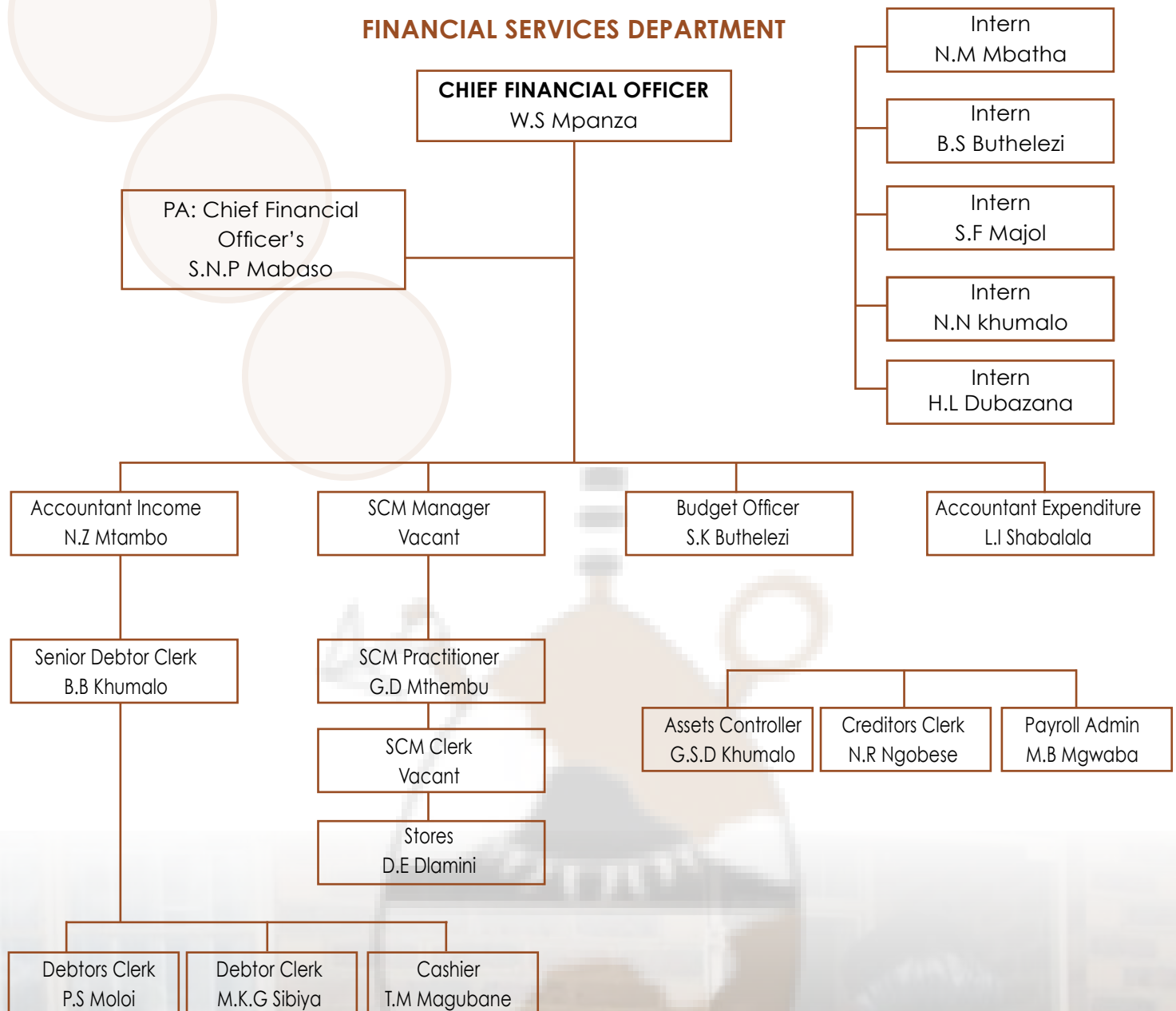
Tourism Officer
Vacant

Project Management
Officer
Vacant



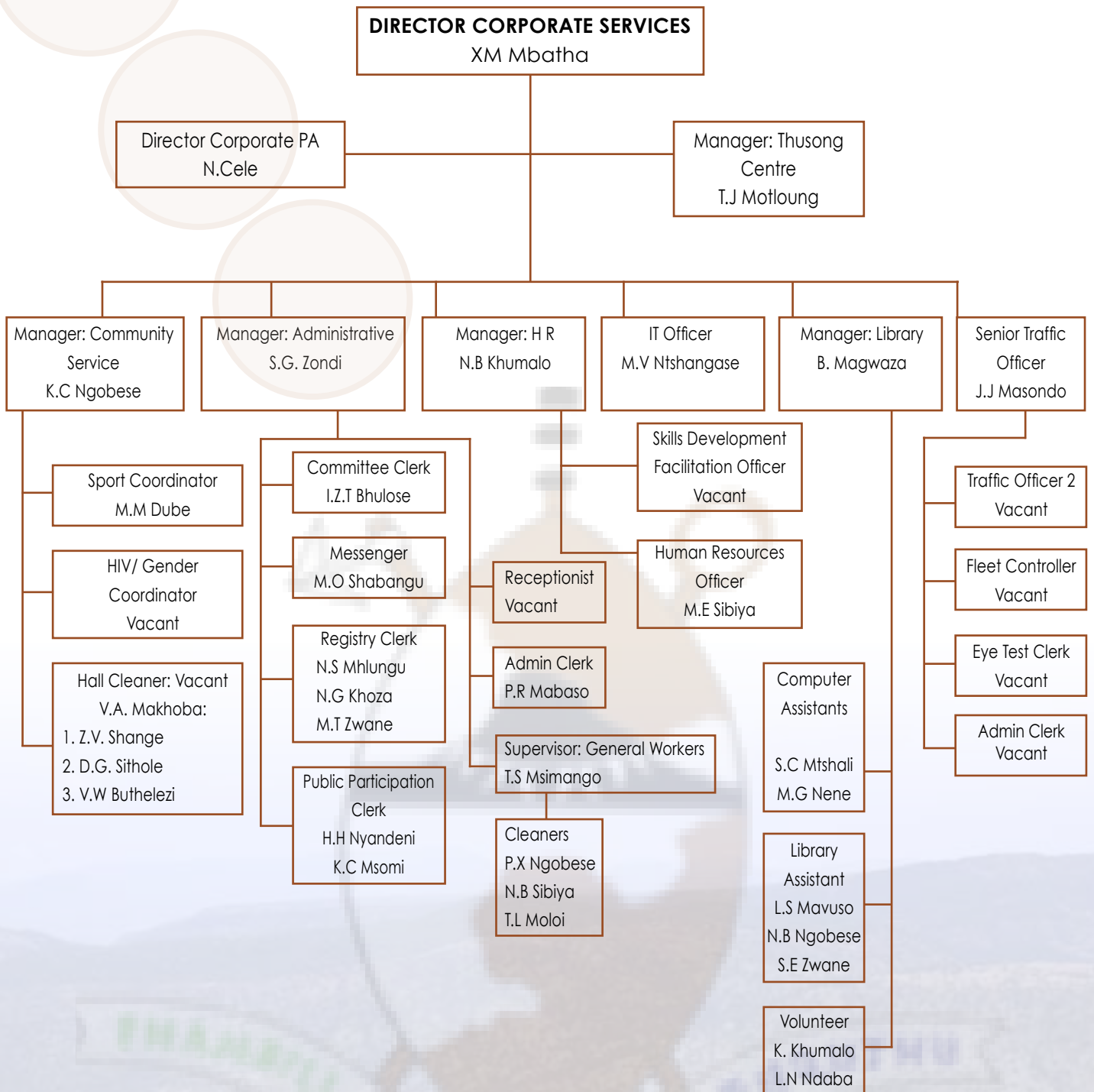
annexure d

FINANCIAL SERVICES DEPARTMENT



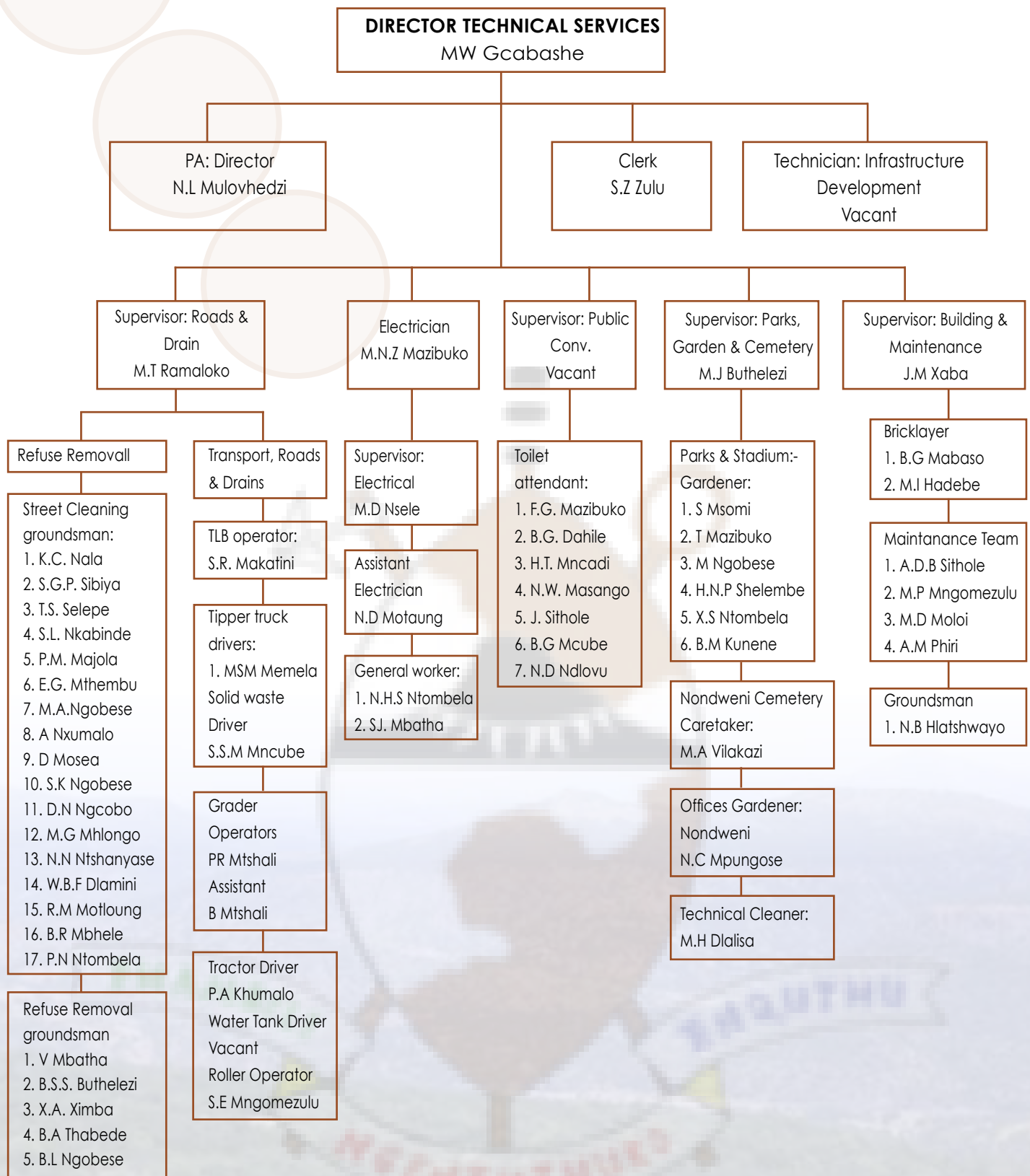
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CORPORATE SERVICES DEPARTMENT



annexure d

TECHNICAL SERVICES DEPARTMENT



chapter 5

conclusion

The municipality is always committed to work for its communities to ensure that everyone has access to basic needs as reflected from the constitution. This kind of commitment needs cooperation from all role-players including the community itself. The municipality has dedicated resources to strengthening performance management system in order to ensure quality performance and to minimize unnecessary audit queries. It is a commitment of this municipality to achieve clean audit by 2014, and we are all proud that we are progressive in maintaining our good financial position by obtaining unqualified audit report in 2011-12 and we predict more progress in 2012-13. We are indeed hoping that the annual report 2011-12 will reflect the real image of the municipality so that all know our strength to capitalize on and our weaknesses to improve on.

“Together we can make difference to all our citizens”









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NQUTHU MUNICIPALITY

UMASIPALA WASENQUTHU